Supreme Court, U.S.
FILED

98 178 JUL 27 1998

No. OFFICE OF THE CLERK

IN THE
Supreme Court of the United States
OCTOBER TERM, 1997

NOBELPHARMA AB
AND NOBELPHARMA USA, INC.,
Petitioners,

v.

IMPLANT INNOVATIONS, INC.,
Respondent.

On Petition For A Writ Of Certiorari
To The United States Court Of Appeals
For The Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Whether the court of appeals erred in resolving the question left open by this Court in *Professional Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc.*, 508 U.S. 49, 62 n.6 (1993), by holding that the requirements of the "sham" exception to the *Noerr-Pennington* doctrine need not be satisfied before antitrust liability may be imposed on defendants in cases involving alleged misrepresentations or omissions.

2. Whether the court of appeals erred in holding that under *Walker Process Equip., Inc. v. Food Machinery & Chem. Corp.*, 382 U.S. 172 (1965), antitrust liability may be imposed for mere omissions like those at issue here.

3. Whether the court of appeals erred in holding that the crime-fraud exception to the attorney-client privilege extends to communications that are not in furtherance of the client's allegedly fraudulent or criminal activity.

LIST OF PARTIES

The caption of the case contains the names of all of the parties in the court below. In addition to those parties, Per Ingvar Branemark and the Institute for Applied Biotechnology were listed in the caption below but were never served and did not appear as parties in this case.

RULE 29.6 STATEMENT

Petitioner Nobelpharma AB (which is now known as Nobel Biocare AB) is the parent company of petitioner Nobelpharma USA, Inc. (which is now known as Nobel Biocare USA, Inc.). Nobelpharma AB has no parent company and has one non-wholly owned affiliate, Procera Sandvik AB.

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Petitioners Nobelpharma AB and Nobelpharma USA, Inc., respectfully submit this petition for a writ of certiorari to review the judgment of the court of appeals in this case.

OPINIONS BELOW

The final opinion of the court of appeals (App., *infra*, 1a-27a) is reported at 141 F.3d 1059. The opinion of the district court (App., *infra*, 28a-72a) is reported at 930 F. Supp. 1241. The original opinion of the court of appeals (App., *infra*, 75a-107a) was reported at 129 F.3d 1463 but was subsequently vacated and superseded by the court of appeals' final opinion.

JURISDICTION

The judgment of the court of appeals was entered on March 20, 1998. A timely petition for rehearing was denied on April 29, 1998. App., *infra*, 73a-74a. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

CONSTITUTIONAL PROVISION INVOLVED

The First Amendment to the United States Constitution provides, in pertinent part, "Congress shall make no law . . . abridging the freedom of speech, . . . or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances." U.S. Const., amend. I.

STATEMENT OF THE CASE

This case raises important questions concerning the scope of liability under the Nation's antitrust laws. Under the *Noerr-Pennington* doctrine, this Court has held that the First Amendment generally precludes imposition of antitrust liability for speech-related conduct aimed at influencing government action. Resolving a question expressly left open by this Court in *Professional Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc.*, 508 U.S. 49, 62 n.6 (1993), the court of appeals held that the *Noerr-Pennington* doctrine (and the "sham" exception thereto) are inapplicable in antitrust cases predicated upon alleged misrepresentations or omissions by

the antitrust defendant. Other appellate courts have resolved this important question in different ways, and this Court's review is therefore warranted to provide a definitive resolution of this issue. The decision below also exacerbates existing circuit conflicts regarding the question whether antitrust liability may be imposed under *Walker Process Equip., Inc. v. Food Machinery & Chem. Corp.*, 382 U.S. 172 (1965), for mere omissions (as opposed to affirmative misrepresentations) and whether the crime-fraud exception to the attorney-client privilege encompasses communications that are not in furtherance of the client's allegedly fraudulent or criminal activity. The Court should take this opportunity to address these important questions and eliminate the present confusion in the lower courts.

Factual Background

During the late 1970's, Swedish inventors Dr. Per-Ingvar Branemark and Bo-Thuresson af Ekenstam developed a type of dental implant that is made of titanium and contains particularly sized and spaced micropits that assist in the creation of a secure connection between the implant and the patient's bone tissue. The inventors filed a Swedish patent application for this invention in 1979, and a United States patent application in 1980. In 1982, the inventors were granted U.S. Patent No. 4,330,891 (the '891 patent). App., *infra*, 3a-4a.

Dr. Branemark is one of the authors of a 132-page book published in 1977 that describes a long-term clinical evaluation of patients who had received dental implants. That 1977 book contains no reference to the use of "micropits" in dental implants. One page of the book, however, contains a photograph of several dental implants that, when analyzed by respondent's expert in the course of this litigation, were allegedly found to contain some micropits with diameters within the size range claimed in the '891 patent. In connection with the application for patent protection, Ekanstam prepared a draft description of the invention that included a brief reference to the 1977 book, but the inventors' patent agent did not refer to the book in the patent applications ultimately filed in Sweden and the United States. App., *infra*, 3a-4a. There is

no evidence that either the inventors or their patent agent were aware that any photographs in the 1977 book contained micropits in the size range claimed in the patent applications.

In 1980, Dr. Branemark entered into an exclusive license agreement with petitioner Nobelpharma AB covering the technology claimed in the '891 patent. The inventors' rights in the '891 patent were assigned to Nobelpharma. App., *infra*, 4a & n.2.

Proceedings in the District Court

In July 1991, Nobelpharma brought this suit against respondent in the United States District Court for the Northern District of Illinois, alleging that certain of respondent's dental implants infringed the '891 patent. Jurisdiction was predicated on 28 U.S.C. § 1338(a). Respondent defended on various grounds, and also asserted an antitrust counterclaim against petitioner Nobelpharma and its U.S. subsidiary, petitioner Nobelpharma USA. This antitrust counterclaim alleged that petitioners had maintained and sought to enforce the '891 patent with knowledge that it was invalid and unenforceable, thereby giving rise to liability under *Walker Process Equip., Inc. v. Food Machinery & Chem. Corp.*, 382 U.S. 172 (1965). App., *infra*, 4a-5a.

A jury trial was held beginning in March 1994 before United States District Judge Brian Duff. During the presentation of its case-in-chief on the patent infringement claim, Nobelpharma introduced deposition testimony of Dr. Branemark, including portions of his deposition that had been counter-designated by respondent. That counter-designated testimony related to one of respondent's affirmative defenses, namely, respondent's claim that the '891 patent was invalid for failure to disclose the "best mode" of practicing the invention. App., *infra*, 5a. Nobelpharma did not introduce at this time any of its own evidence relating to respondent's "best mode" defense, because the district court had ruled that the case would proceed "in the natural order of proof" and that Nobelpharma would not be permitted to "anticipate what may

not ever become a matter of proof." Fed. Cir. Jt. Appendix ("JA") at 2532.

At the close of Nobelpharma's case-in-chief, however, the district court granted judgment as a matter of law for respondent on the patent infringement claim, holding that the '891 patent was invalid for failure to disclose the "best mode." App., *infra*, 5a. The trial then proceeded on respondent's antitrust counterclaim.

Prior to trial, the district court had granted Nobelpharma's motion in limine to exclude testimony from a disgruntled former Nobelpharma executive, Dr. Ralph Green, regarding an attorney-client privileged conversation he allegedly had with two outside attorneys for Nobelpharma, David Lindley and George Vande Sande. JA 2209-2213. At trial, however, over Nobelpharma's objection, the district court reversed itself and permitted respondent to introduce testimony from Dr. Green describing the alleged attorney-client communications. App., *infra*, 50a-51a; JA 4420-21. According to Dr. Green's testimony, Mr. Lindley allegedly informed Nobelpharma that the '891 patent was invalid, stating that if "we were to sue anyone on the patent we would lose in the first round. . . . [T]here was prior art . . . that would invalidate the patent." App., *infra*, 26a. Despite this abrupt reversal of its pretrial decision to exclude Dr. Green's testimony, the district court refused to permit Nobelpharma to introduce rebuttal testimony of Mr. Vande Sande, who would have categorically refuted Dr. Green's testimony regarding the alleged attorney-client meeting. JA 5899-5934.

The jury returned a verdict for respondent, finding that the '891 patent had been obtained through fraud, that Nobelpharma had knowledge of that fact, and that Nobelpharma had commenced the patent infringement action for anti-competitive purposes. The jury awarded approximately $3.3 million in damages, an amount that was trebled by the district court pursuant to 15 U.S.C. § 15. App., *infra*, 5a.

The district court denied Nobelpharma's motion for judgment as a matter of law or, in the alternative, a new trial.

App., *infra*, 28a-72a. In particular, the court rejected Nobelpharma's argument that the *Noerr-Pennington* doctrine barred imposition of antitrust liability in the circumstances of this case. *Id.* at 38a-44a. The court reasoned that the two-part test for determining whether a defendant's conduct falls within the "sham" exception to the *Noerr-Pennington* rule is inapplicable in cases involving *Walker Process* fraud claims. *Id.* at 44a. Based on that reasoning, the court also rejected Nobelpharma's argument that the jury should have been instructed regarding the "objective baselessness" element of the "sham" exception. *Id.* at 65a-66a. The court made clear, however, that respondent could not have satisfied the "objective baselessness" element had it been required to do so, because Nobelpharma's patent infringement lawsuit was not objectively baseless. App., *infra*, 46a-48a; *id.* at 63a.

The court also held that the evidence was sufficient to support the jury's finding that the '891 patent had been obtained by fraud and that Nobelpharma was aware of that alleged fact. App., *infra*, 44a-51a. In so holding, the court relied on Dr. Green's testimony regarding the alleged attorney-client communications. *Id.* at 50a-51a. The court rejected Nobelpharma's contention that these alleged communications were protected by the attorney-client privilege, holding that the testimony was admissible under the crime-fraud exception to the attorney-client privilege. *Id.* at 55a-58a.

Proceedings in the Court of Appeals

In its initial opinion, the court of appeals affirmed the judgment on the patent claim but (over a dissent by Judge Plager) reversed the judgment on the antitrust claim. App., *infra*, 75a-107a. With respect to the latter claim, the court of appeals held that the antitrust issues would be governed by the law of the regional circuit (here, the Seventh Circuit) rather than Federal Circuit precedent. *Id.* at 86a. The court then rejected the district court's view that the two-part test for the "sham" exception to the *Noerr-Pennington* doctrine "is inapplicable to an antitrust claim based on the assertion of a patent obtained by knowing and willful fraud." *Id.* at 89a. Instead, the court held, the "sham" exception and *Walker*

Process "provide alternative legal grounds on which a patentee may be stripped of its immunity from the antitrust laws; both legal theories may be applied to the same conduct." *Id.*

Turning to the merits of respondent's claim, the court reversed the judgment for respondent, holding that "there exists no evidence to support the jury's finding that the 'patent was obtained by fraud' within the meaning of a *Walker Process* counterclaim." *Id.* at 90a. Citing case law from the Sixth, Seventh, and Ninth Circuits, the court explained that "*Walker Process* requires a showing that the patent was obtained through deliberate, affirmative misrepresentations, *i.e.*, knowingly false statements, not mere omissions." *Id.* Based on its review of the record in this case, the court concluded that "there exists no evidence of any affirmative misrepresentation that would constitute such fraud." *Id.* at 90a-91a.

With respect to the "sham" exception to the *Noerr-Pennington* doctrine, the court of appeals held that "[Nobelpharma's] suit could not be found to be objectively baseless and therefore was not a sham." App., *infra*, 93a. The court explained that "[t]he conduct in question was a failure to cite possibly relevant prior art, which relates to inequitable conduct," and that a court's ultimate ruling in such cases "is not predictable." *Id.* at 94a. Accordingly, the court concluded that "an omission that might later be found to constitute inequitable conduct, such as the failure to disclose the 1977 Book in this case, cannot as a matter of law be the basis for finding that an infringement suit was objectively baseless." *Id.*

The court also noted that the 1977 book's "disclosure of micropits having the claimed diameter and spacing was not explicit and was only made apparent after [respondent], during litigation, measured highly enlarged copies of the [photographs] depicted in the 1977 Book." App., *infra*, 94a. Under all the circumstances, therefore, Nobelpharma had "bona fide arguments that the 1977 Book did not render the patent invalid and that the failure to disclose the 1977 Book did not render the patent unenforceable." *Id.* at 94a-95a.

Respondent filed a petition for rehearing, which the court of appeals granted, vacating its prior opinion and issuing a new opinion that affirmed the judgment of the district court in all respects. App., *infra*, 1a-27a. With respect to the antitrust claims, the panel (joined by the full Federal Circuit *en banc* as to this issue) reversed its earlier determination that the law of the regional circuit in which the case arose would govern the *Walker Process* antitrust claim. App., *infra*, 13a-16a & n.5. The court reasoned that the question whether a patent has been obtained by fraud so as to permit application of the antitrust laws "is one of those issues that clearly involves our exclusive jurisdiction over patent cases" and that is frequently (although not always) "raised as a counterclaim by a defendant in a patent infringement suit." *Id.* at 14a. Accordingly, the court stated that "we hereby change our precedent and hold that whether conduct in procuring or enforcing a patent is sufficient to strip a patentee of its immunity from the antitrust laws is to be decided as a question of Federal Circuit law." *Id.* at 15a-16a.

Applying Federal Circuit law, the court rejected its prior holding (based on precedents from the Sixth, Seventh, and Ninth Circuits) that mere omissions are insufficient as a matter of law to establish a *Walker Process* fraud claim. Instead, the court of appeals adopted the view "that omissions, as well as misrepresentations, may in limited circumstances support a finding of *Walker Process* fraud." App., *infra*, 20a. The court of appeals made no effort to reconcile this new approach with the contrary rule followed by the Sixth, Seventh, and Ninth Circuits.

The court of appeals reaffirmed its prior determination that *Walker Process* fraud and the "sham" exception to the *Noerr-Pennington* doctrine "provide alternative legal grounds on which a patentee may be stripped of its immunity from the antitrust laws." App., *infra*, 22a. Thus, in the court's view, "if the above-described elements of *Walker Process* fraud, as well as the other criteria for antitrust liability, are met, such liability can be imposed without the additional sham inquiry required" by the *Noerr-Pennington* doctrine. *Id.* at 23a.

Applying its newly adopted standard for liability under *Walker Process*, the court next concluded that the evidence introduced at trial was sufficient to "strip [Nobelpharma] of its immunity from antitrust liability." App., *infra*, 24a. In the court's view, the inventors' failure to reference the 1977 book in the patent application was an omission that was sufficient to give rise to *Walker Process* fraud. *Id.* at 24a-26a. Moreover, based primarily on Dr. Green's testimony regarding the privileged communications allegedly made by Nobelpharma's counsel, the court held that "a reasonable jury could have found that [Nobelpharma] brought suit against [respondent] with knowledge of the applicants' fraud." *Id.* at 25a.

The court of appeals expressly rejected Nobelpharma's argument that the district court had erred in admitting Dr. Green's testimony under the crime-fraud exception to the attorney-client privilege. App., *infra*, 26a-27a. The court of appeals also held that the district court did not abuse its discretion in refusing to permit Nobelpharma to introduce testimony rebutting Dr. Green's assertions. *Id.*

REASONS FOR GRANTING THE WRIT

I. This Case Raises An Important And Recurring Question Regarding The Scope Of The *Noerr-Pennington* Doctrine That Has Not Been, But Should Be, Resolved By This Court

A long line of this Court's cases establishes the principle that the First Amendment precludes any use of the antitrust or other laws to punish conduct aimed at influencing government decisionmaking processes. *See, e.g., United Mine Workers v. Pennington*, 381 U.S. 657, 669 (1965); *Eastern R.R. Presidents Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127, 136 (1961). Under this *Noerr-Pennington* doctrine, "[t]hose who petition government for redress are generally immune from antitrust liability." *Professional Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc.* ("*PRE*"), 508 U.S. 49, 56 (1993).

While the *Noerr-Pennington* doctrine was originally developed to protect those who seek redress from the legislature or the executive, the Court has subsequently extended *Noerr-Pennington* immunity to those who seek redress from administrative agencies or the courts as well. *See California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 510 (1972). The Court has recognized that the right of access to agencies and courts "is part of the right of petition protected by the First Amendment." *Id.* at 513.

Notwithstanding its strong First Amendment underpinnings, *Noerr-Pennington* immunity is not absolute. Under the so-called "sham" exception, immunity does not extend to petitioning activity that is merely a "sham" or a cover for interference with the business of a competitor. *See Noerr*, 365 U.S. at 144. In determining the applicability of the "sham" exception to *Noerr-Pennington* immunity, however, this Court has been mindful that more than the subjective motivations of antitrust defendants must be probed. "The right of the people to inform their representatives in government of their desires with respect to the passage or enforcement of laws cannot properly be made to depend upon their intent in doing so." *Noerr*, 365 U.S. at 139.

The Court has thus held that, where the defendant's petitioning activity is aimed at the courts, the "sham" exception cannot be invoked "[i]f an objective litigant could conclude that the suit is reasonably calculated to elicit a favorable outcome." *PRE*, 508 U.S. at 60. This rule reflects the longstanding First Amendment principle that democratic institutions must be trusted to do their jobs, and thus that the better course for counteracting speech aimed at obtaining anticompetitive governmental outcomes is through more speech, not through imposing antitrust or other liability for such speech. *See, e.g.*, Herbert Hovenkamp, FEDERAL ANTITRUST POLICY: THE LAW OF COMPETITION AND ITS PRACTICE at 633 (1994) ("One basis for this doctrine is that in a government petitioning process all sides are entitled to have their say.").

The strong protection afforded under the *Noerr-Pennington* doctrine for actions aimed at invoking governmental re-

dress, and the view that subjective motivation alone cannot subject an antitrust defendant to liability under the "sham" exception, is in considerable tension with the Supreme Court's holding in *Walker Process Equip., Inc. v. Food Machinery & Chemical Corp.*, 382 U.S. 172 (1965). In that case, this Court held that, while the grant of a patent generally carries with it immunity from liability under the antitrust laws respecting the monopoly conferred by the patent, "the enforcement of a patent procured by fraud . . . may be violative of § 2 of the Sherman Act." *Id.* at 174. Under *Walker Process*, therefore, a patent owner who brings a patent infringement suit seeking judicial enforcement of its patent rights runs the risk of antitrust liability and treble damages if the defendant asserts a *Walker Process* counterclaim and succeeds in proving that the patent-owner's conduct in petitioning government to enforce its patent amounted to "the enforcement of a patent procured by fraud."

The rule announced in *Walker Process*, which permits imposition of antitrust liability based on an antitrust defendant's communications with the government, is in considerable tension with the *Noerr-Pennington* doctrine, which generally immunizes such communications and related conduct from antitrust liability. This Court has not yet had occasion to resolve that tension in its precedents. As discussed below, however, the Court has explicitly recognized the existence of this important question, and the lower courts have struggled, with little success, to resolve it in a consistent and coherent fashion. This case presents the Court with an opportunity to eliminate the inconsistency in its precedents and the confusion in the lower courts by resolving this issue once and for all.

A. This Case Presents an Opportunity to Resolve a Question Previously Left Open by this Court and Eliminate an Existing Inconsistency in this Court's Precedents by Clarifying the Scope of *Noerr-Pennington* Immunity

In *Professional Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc.*, 508 U.S. 49 (1993) ("*PRE*"), this Court addressed the question whether litigation can fall within the

"sham" exception to the *Noerr-Pennington* doctrine based solely on the litigating party's improper intent and subjective lack of any expectation of success, or whether the "sham" exception contains an objective component as well. The Court rejected the subjective approach, reasoning that "a purely subjective definition of 'sham'" -- *i.e.*, a definition that focused solely on the defendant's intent and subjective view of the merits of its case rather than on the objective possibility of success -- "would undermine, if not vitiate, *Noerr*," and "would utterly fail to supply real intelligible guidance." *Id.* at 60 (internal quotation marks omitted). Thus, the *PRE* Court held that a party's litigation activities are immune from liability, and the "sham" exception is not available, unless the litigation activities are shown to be both (1) objectively baseless "in the sense that no reasonable litigant could realistically expect success on the merits," and (2) subjectively motivated by an improper intent rather than any expectation of success in litigation. *Id.* at 60-61.

The underlying antitrust claims at issue in *PRE* were not predicated on a *Walker Process* theory, but the *PRE* Court's reasoning applies equally to all theories of liability predicated on a defendant's alleged misuse of the courts or administrative processes for improper purposes. *See* 508 U.S. at 56-61. Thus, *PRE* exacerbates and sharpens the tension between the *Noerr-Pennington* doctrine and *Walker Process*, because the latter decision (at least as it was interpreted by the court below) permits imposition of antitrust liability on a party for its communications with government as long as a jury concludes that the party's communications were intentionally inaccurate or incomplete. The imposition of such liability for objectively reasonable petitioning conduct plainly "would undermine, if not vitiate, *Noerr*" (*id.* at 60), because the *Noerr-Pennington* doctrine's broad protection for communications with the government would be rendered meaningless if the doctrine's applicability were made to depend on a jury's *post hoc* and wholly unpredictable assessment of subjective issues. In addition, imposition of antitrust liability pursuant to the subjective *Walker Process* standard, without the certainty and clarity provided by an objective element, would deprive defen-

dants of "real intelligible guidance" regarding the potential liability they could incur for seeking redress in the courts. *Id.*

Accordingly, *Walker Process* (as construed by the court below) is directly inconsistent with the reasoning of *PRE*. Indeed, the *PRE* Court itself clearly recognized this inherent inconsistency. After announcing the two-pronged test for determining whether litigation activities fall within the "sham" exception, the Court's opinion in *PRE* expressly noted this very problem and left it for future resolution, stating "[w]e need not decide here whether and, if so, to what extent *Noerr* permits the imposition of antitrust liability for a litigant's fraud or other misrepresentations." *Id.* at 61-62 n.6 (citing *Walker Process*).

Thus, the opinion in *PRE* plainly signaled the need for the Court to address this issue at a later time. This case squarely presents the opportunity to accept the *PRE* Court's invitation and resolve the tension between the *Noerr-Pennington* doctrine and *Walker Process*. The court of appeals explicitly addressed this question, holding that the *Noerr-Pennington* doctrine simply does not apply in *Walker Process*-type cases. App., *infra*, 22a-23a. Without even recognizing that *Walker Process* is on a collision course with the *Noerr-Pennington* doctrine as construed in *PRE*, the court below made no effort to harmonize those two lines of authority, blithely observing that "[t]he Supreme Court saw no need to merge these separate lines of cases and neither do we." *Id.* at 22a. Contrary to the court of appeals' apparent assumption, this Court has not yet decided whether these two lines of authority should be "merge[d]," but has acknowledged the need to resolve that open issue in a future case. Nobelpharma respectfully suggests that this is that case.

B. The Question Raised By The Tension Between *PRE* and *Walker Process* Is An Important and Recurring One

The question left open in *PRE* and presented in this case is an important and recurring one. Not surprisingly, *Walker Process*-type claims arise with great frequency in the patent

context,[1] both as counterclaims in patent infringement actions and as pure antitrust cases brought by parties that are actual or potential defendants in separate patent cases.[2] Because of the frequency with which *Walker Process* claims arise in the

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1 *See, e.g.*, App., *infra*, 14a-15a; *Cabinet Vision v. Cabnetware*, 129 F.3d 595, 596 (Fed. Cir. 1997); *Abbott Lab. v. Brennan*, 952 F.2d 1346, 1353 (Fed. Cir. 1991); *Argus Chem. Corp. v. Fibre Glass-Evercoat Co.*, 812 F.2d 1381, 1383 (Fed. Cir. 1987); *see also* Mark A. Lemley, *Antitrust Counterclaims in Patent and Copyright Infringement Cases*, 3 Tex. Intell. Prop. L.J. 1, 1 (1994) ("Antitrust counterclaims are a significant part of intellectual property litigation. Many, perhaps most, patent infringement suits involve [antitrust] counterclaims . . . ."); James B. Kobak, Jr., *Professional Real Estate Investors and the Future of Patent Antitrust Litigation: Walker Process and Handgards Meet Noerr-Pennington*, 63 Antitrust L.J. 185 (Fall 1994) ("the antitrust claim (often asserted as a counterclaim to a patent infringement action) has . . . grown to become a fixture of patent litigation"); Lawrence A. Sullivan, *Developments in the Noerr Doctrine*, 56 Antitrust L.J. 361, 361 & 364 (1987) (stating that nexus between *Noerr* and *Walker Process*-type claims is one of the "recurring issues" facing the courts); Richard Calkins, *Patent Law: The Impact of the 1988 Patent Misuse Reform Act and Noerr-Pennington Doctrine on Misuse Defenses and Antitrust Counterclaims*, 38 Drake L. Rev. 175, 204 (1989) ("[p]robably the most commonly pleaded antitrust counterclaim in patent infringement actions is the *Walker Process* claim").

2 As the court of appeals observed below (App., *infra*, 14a-15a & n.4), the circuits are divided over the question whether a patent-based *Walker Process* claim is a mandatory counterclaim that must be asserted in the patent infringement action or is instead a permissive counterclaim that can be asserted separately without risk of preclusion. In those circuits that adhere to the latter view (including the Fifth and the Ninth), at least, *Walker Process* claims arising out of patent litigation will frequently be asserted in separate antitrust actions (and will therefore fall within the appellate jurisdiction of the regional circuits rather than the Federal Circuit, *see* 28 U.S.C. §§ 1291, 1295(a)(1)).

patent arena and because the Federal Circuit has jurisdiction over appeals in patent infringement cases (including those involving antitrust counterclaims) pursuant to 28 U.S.C. § 1295(a)(1), the decision below regarding the nexus between *Walker Process* and *Noerr-Pennington* will affect a substantial proportion (although by no means all) of the cases in which *Walker Process* claims are asserted, as well as a substantial proportion of all patent cases. That fact, coupled with this Court's prior recognition of the tension in its precedents and the need for future resolution of this question, amply demonstrates the important nature of the question presented here.

The Federal Circuit's resolution of this question does not, of course, settle the issue for all *Walker Process* claims, or even for all *Walker Process*-type claims arising in the patent context. The Federal Circuit lacks jurisdiction over antitrust claims that are predicated on patent-related misconduct but are not asserted in a patent infringement case. *See, e.g., Hydranautics v. Filmtec Corp.*, 70 F.3d 533 (9th Cir. 1995); *see also* note 2, *supra*. Moreover, *Walker Process* claims are not limited to the patent context. Indeed, as the court below recognized in its original opinion, "*Walker Process* and its progeny . . . are applicable to a broad array of administrative contexts." App., *infra*, 106a; *see, e.g., Clipper Exxpress v. Rocky Mountain Motor Tariff Bureau, Inc.*, 690 F.2d 1240, 1260-61 (9th Cir. 1982). As one commentator has cogently observed, "*Walker* is . . . not a mere patent decision but an antitrust precedent of general applicability." Robert H. Bork, *The Antitrust Paradox* 353 (1978). Moreover, as the cases cited in the next section demonstrate, precisely the same issues regarding the application of the *Noerr-Pennington* doctrine to claims of allegedly fraudulent conduct can arise outside the antitrust context altogether. In short, it is beyond dispute that the issue presented here will continue to arise in a wide variety of circumstances, and this Court's review is therefore appropriate in order to provide guidance for litigants and the lower courts in future cases.

C. The Lower Courts Have Failed to Provide Consistent and Coherent Answers to the Question Whether and to What Extent The *Noerr-Pennington* Doctrine Applies to *Walker Process*-Type Claims

A number of lower courts have addressed the interplay between the *Noerr-Pennington* doctrine and *Walker Process*-type claims, but the result has been an incoherent and confused hodge-podge of legal doctrine. As one court has observed, "[t]he relationship between a *Walker Process* claim and *Noerr-Pennington* immunity . . . is an area choked with the fog of uncertainty." *Novo Nordisk of N. Am., Inc. v. Genentech, Inc.*, 885 F. Supp. 522, 527 (S.D.N.Y. 1995); *see also United States Gypsum Co. v. National Gypsum Co.*, 1994 WL 14648, at *2 (N.D. Ill. Jan. 20, 1994) (referring to the *Noerr-Pennington/Walker Process* nexus as "amorphous at best," "unclear," and "murky").

Absent review by this Court, it is likely that the lower courts will continue to struggle unsuccessfully with this important and difficult problem -- a problem that only this Court is in a position to resolve, because it involves the inherent inconsistency between two lines of this Court's precedents. *Cf. Rodriguez de Quijas v. Shearson/American Express, Inc.*, 490 U.S. 477, 484 (1989) ("If a precedent of this Court has direct application in a case, yet appears to rest on reasons rejected in some other line of decisions, the Court of Appeals should follow the case which directly controls, leaving to this Court the prerogative of overruling its own decisions."); *Agostini v. Felton*, 117 S. Ct. 1997, 2017 (1997).

Some courts have addressed the tension between *Noerr-Pennington* and *Walker Process*-type claims in precisely the context presented here, where a *Walker Process* antitrust claim is predicated on the antitrust defendant's alleged assertion of a fraudulently obtained patent in a patent infringement case. Other circuits have considered the applicability of the *Noerr-Pennington* doctrine to cases involving misrepre-

sentations outside the antitrust context.[3] All of these cases are directly on point, however, because each of them addresses and resolves (albeit in different ways) the question left open by this Court in *PRE*.

The lower federal courts have adopted at least two distinct approaches to this problem.[4] One approach is that adopted by the Federal Circuit in this case, under which *PRE* and *Walker Process* are deemed to "provide alternative legal grounds on which a patentee may be stripped of its immunity from the antitrust laws, " and "[e]ach provides its own basis for depriving a patent owner of immunity." App., *infra*, 22a. Thus, the court below treated *Walker Process* and *Noerr-Pennington* as, in effect, two ships passing in the night, each with its own separate and inconsistent tests for imposition of liability.

The Federal Circuit's approach is similar to that adopted by the District of Columbia and Eleventh Circuits. In *Whelan v. Abell*, 48 F.3d 1247, 1255 (D.C. Cir. 1995), for example,

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[3] As this Court recognized in *PRE*, the tension between *Noerr-Pennington* and *Walker Process* is simply a subset of the larger question regarding the extent to which the *Noerr-Pennington* doctrine applies to all causes of action predicated on a party's alleged misrepresentations or omissions in its communications with the government. 508 U.S. at 61-62 n.6.

[4] There is also disagreement among commentators regarding this issue. *Compare, e.g.*, Lemley, *supra* at 7 ("the reasoning of [*PRE*] would seem to apply with full force to [*Walker Process*] claims"); Kobak, *supra* at 186 ("it does not seem safe to conclude *a fortiori* that *Noerr* principles do not apply to a *Walker Process* claim"), *with, e.g.*, Richard Calkins, *Patent Law: The Impact of the 1988 Patent Misuse Reform Act and Noerr-Pennington Doctrine on Misuse Defenses and Antitrust Counterclaims*, 38 Drake L.R. 175, 227 (1989) ("it is perhaps safe to say that *Noerr-Pennington* . . . [has] no impact on antitrust counterclaims which are based on unfounded patent infringement actions").

the court concluded that the *Noerr-Pennington* doctrine is simply inapposite when a party makes misrepresentations to a government agency. The *Whelan* court therefore found it unnecessary to determine whether any exception to the *Noerr-Pennington* doctrine was applicable in those circumstances. *Accord St. Joseph's Hosp., Inc. v. Hospital Corp. of Am.*, 795 F.2d 948, 955 (11th Cir. 1986) (where defendant's challenged conduct involved misrepresentations to an agency acting in its judicial capacity, there was no need to consider whether the conduct fell within the "sham" exception because "[i]n order to find that a situation falls within an exception to a general rule, it must first be clear that the general rule itself is applicable"; the general *Noerr-Pennington* rule did not apply because "[m]isrepresentations under these circumstances do not enjoy *Noerr* immunity").

A second line of authority, by contrast, attempts to harmonize and merge *Walker Process*-type claims with the "sham" exception to the *Noerr-Pennington* doctrine. In *Hydranautics v. Filmtec Corp.*, 70 F.3d 533, 538 (9th Cir. 1995), for example, the Ninth Circuit held that both *Noerr-Pennington* and the "sham" exception were applicable to a *Walker Process* claim in the patent context. In that case, the antitrust defendant argued that its conduct in enforcing an allegedly fraudulent patent was not "objectively baseless" because the defendant had previously obtained a judgment in its favor on its patent claims (albeit one that was reversed on appeal). The court rejected that argument, holding that the "sham" exception could still be satisfied in these circumstances "[i]f the patent was obtained by 'intentional fraud' and not merely 'technical fraud.'" *Id.*; *see also Liberty Lake Investments, Inc. v. Magnuson*, 12 F.3d 155 (9th Cir. 1993).

Other courts of appeals have followed a similar approach. In *Hospital Building Co. v. Trustees of Rex Hosp.*, 691 F.2d 678, 687-88 (4th Cir. 1982), for example, the Fourth Circuit held that alleged misrepresentations, if made with intent to abuse the administrative process, could fall within the "sham" exception to the *Noerr-Pennington* doctrine. *Id.* at 687. The court also recognized, however, that the "sham" exception

required proof that the petitioning party's resort to the administrative process was "baseless." *Id.* at 687-88. The court remanded the case for a new determination regarding the sham exception. *Id.*

Similarly, in *Potters Med. Ctr. v. City Hospital Ass'n*, 800 F.2d 568 (6th Cir. 1986), the Sixth Circuit (in dictum) suggested that "the knowing and willful submission of false facts to a government agency falls within the sham exception to the *Noerr-Pennington* doctrine." *Id.* at 580. The court affirmed the entry of summary judgment for the defendant, however, because the plaintiff had failed to meet its burden of proving a "sham" on the facts of that case. *Id.; accord, e.g., Semke v. Enid Auto. Dealers Ass'n*, 456 F.2d 1361, 1366-67 (10th Cir. 1972); *Hydro-Tech Corp. v. Sundstrand Corp.*, 673 F.2d 1171, 1174 (10th Cir. 1982).

Thus, at least two distinct views of the *Noerr-Pennington/Walker Process* nexus exist. The District of Columbia, Eleventh, and Federal Circuits appear to treat *Walker Process*-type claims and other claims involving misrepresentations as a separate and independent basis for imposing liability on defendants, without regard to the *Noerr-Pennington* doctrine or the requirements of the "sham" exception. The Fourth, Sixth, Ninth, and Tenth Circuits take a different approach, holding that *Walker Process*-type claims are subject to the *Noerr-Pennington* doctrine and the requirements of the "sham" exception.

This case provides a particularly appropriate vehicle for addressing the difficult issues presented by the lower courts' confusion regarding the interplay between *Walker Process*-type claims and *Noerr-Pennington*. While it is no doubt appropriate in many circumstances to permit imposition of antitrust liability on parties whose petitioning conduct is later found to involve fraud, that will not always be the case; the mere fact that a jury is persuaded to find that a party made (or was aware of) misrepresentations or omissions does not necessarily render that party's litigation or other petitioning conduct "objectively baseless" under *PRE*. Indeed, the district court in this case expressly concluded that Nobelpharma's

patent infringement claim *was not objectively baseless* (App., *infra*, 46a-48a, 63a), and the court of appeals (in its original, now vacated, opinion) agreed. *Id.* at 93a-94a.[5] Thus, this case squarely presents the inappropriateness of a *per se* rule that *Walker Process* fraud automatically permits an end-run around the requirements of the "sham" exception. Certiorari is warranted to resolve the important question left open by this Court in *PRE*.

II. The Circuits Are Divided Over The Question Whether Mere Omissions Are Sufficient To Establish *Walker Process* Fraud

This Court's decision in *Walker Process* held that the antitrust immunity generally afforded patent owners may be lost if the patentee engaged in "knowingly and willfully misrepresenting facts to the Patent Office." 382 U.S. at 177. This holding was necessarily limited to cases involving similar misconduct; indeed, Justice Harlan expressly cautioned against overextending the rule announced by the Court, noting that an unduly broad application "might well chill the disclosure of inventions through the obtaining of a patent because of fear of the vexations or punitive consequences of treble-damage suits." *Id.* at 180 (Harlan, J., concurring).

In keeping with the limited nature of the holding in *Walker Process*, the court below initially held that proof of affirmative misrepresentations, rather than mere omissions, is required before a defendant may be held liable for treble damages under the antitrust laws on a theory of *Walker Process* fraud. App., *infra*, 90a-93a. After carefully analyzing the reasoning and holding of *Walker Process*, and relying on cases decided by the Sixth, Seventh, and Ninth Circuits, the

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5 The court of appeals did not address this issue in its opinion on rehearing, because the "sham" inquiry was rendered irrelevant by the court's conclusion that *Walker Process* fraud had been committed and was an independently sufficient basis for liability.

panel majority held that "*Walker Process* requires a showing that the patent was obtained through deliberate, affirmative misrepresentations, *i.e.*, knowingly false statements, not mere omissions." *Id.* at 90a-91a. As the majority explained, "[t]he Supreme Court in *Walker Process* was quite explicit in premising antitrust liability on knowing and willful misrepresentations, but not on other types of misconduct that might render a patent unenforceable such as the failure to disclose material prior art." *Id.* at 92a-93a.

On rehearing, the panel reversed itself on this issue, concluding that mere omissions suffice to establish *Walker Process* fraud. App., *infra*, 20a-21a. Without attempting to reconcile this new approach with the decisions of the Sixth, Seventh, and Ninth Circuits that had been cited approvingly in its original opinion, the panel simply chose to follow "various opinions of [other] courts stating that omissions, as well as misrepresentations, may in limited circumstances support a finding of *Walker Process* fraud." *Id.* at 20a. Under the court of appeals' new rule, "if the evidence shows that the asserted patent was acquired by means of either a fraudulent misrepresentation or a fraudulent omission and that the party asserting the patent was aware of the fraud when bringing suit, such conduct can expose a patentee to liability under antitrust laws." *Id.* at 20a-21a.

Despite the narrow scope of the *Walker Process* decision, the Federal Circuit is not alone in extending *Walker Process* to encompass a mere failure to disclose. In *Oetiker v. Jurid Werke*, G.m.b.H. 556 F.2d 1 (D.C. Cir. 1977), for example, the District of Columbia Circuit held that a defendant's alleged "fail[ure] to inform the U.S. Patent Office" of material prior art could provide a proper basis for a *Walker Process* claim. *Id.* at 2, 6.

The Eighth Circuit also has indicated that omissions may provide an adequate basis for a *Walker Process* claim. In *E.I. du Pont de Nemours v. Berkley & Co.*, 620 F.2d 1247 (8th Cir. 1980), the court held that inequitable conduct is an insufficient basis for an antitrust claim, but noted in dictum that in circumstances where a patent-holder obtained a patent

through false representations or "non-disclosure," the "severe sanctions of the Sherman Act may be warranted." *Id.* at 1274.

In direct contrast to these decisions, other courts of appeals have construed *Walker Process* to require proof of affirmative misrepresentations. Perhaps the seminal case in this area is the Ninth Circuit's decision in *Cataphote Corp. v. DeSoto Chem. Coatings, Inc.*, 450 F.2d 769 (9th Cir. 1971). In that case, the court emphasized that *Walker Process* must be understood to define an "extremely circumscribed" type of fraud, explaining that

> The road to the Patent Office is so tortuous and patent litigation is usually so complex, that 'knowing and willful' fraud as the term is used in Walker, can mean no less than clear, convincing proof of intentional fraud involving *affirmative dishonesty*, "a deliberately planned and carefully executed scheme to defraud the Patent Office."

Id. at 772 (emphasis added). The Ninth Circuit has reached this same conclusion with respect to non-patent cases as well. In *Clipper Exxpress v. Rocky Mountain Motor Tariff Bureau, Inc.*, 690 F.2d 1240 (9th Cir. 1982), the court held that "the fraudulent *furnishing of false information* to an agency in connection with an adjudicatory proceeding can be the basis for antitrust liability" under *Walker Process*. *Id.* at 1261 (emphasis added). Thus, as the court below recognized, the Ninth Circuit views *Walker Process* as limited to a narrow species of fraud that necessarily involves "affirmative dishonesty." Mere omissions, standing alone, cannot constitute *Walker Process* fraud under this view of the law.

The Sixth Circuit also takes the view that *Walker Process* requires affirmative misrepresentations rather than mere omissions as the basis for an antitrust claim. In *Potters Med. Ctr. v. City Hospital Ass'n*, 800 F.2d 568 (6th Cir. 1986), the court noted that "*knowingly false submissions or intentional misrepresentations* constitute an abuse of governmental processes, analogous to the antitrust violation which occurs when

one procures a patent through fraud on the patent office." *Id.* at 580 (emphasis added). The court specifically held, however, that in this context, "*[o]nly known falsity* supports an antitrust offense." *Id.* at 581 (emphasis added).

The Seventh Circuit appears to have adopted this approach as well. In *Bendix Corp. v. Balax, Inc.*, 421 F.2d 809 (7th Cir. 1970), the court upheld the district court's rejection of a *Walker Process* counterclaim. The court of appeals described the elements of such a claim in the following terms: "to prevail here, defendants must prove, what was assumed as true in *Walker*, that any *misstatements* by plaintiff in its patent applications were the products of intentional fraud and not good faith mistake." *Id.* at 819 (emphasis added). Like the Sixth and Ninth Circuits, therefore, and as expressly recognized by the court below in its original opinion (App., *infra*, 103a-104a), the rule in the Seventh Circuit is inconsistent with that ultimately adopted below.

Finally, the Fifth Circuit also adheres to the narrower reading of *Walker Process*. In *Beckman Instruments, Inc. v. Chemtronics, Inc.*, 439 F.2d 1369 (5th Cir. 1970), the court held that the plaintiff's patent was rendered invalid as a matter of law by the plaintiff's deliberate failure to cite material prior art to the Patent Office. *Id.* at 1378 ("all the evidence tends to show that [the plaintiff] made the omission deliberately"). The court found that the plaintiff's "employees understood the significance of [the undisclosed prior art] and knew that it presented a serious threat to the validity of the patent they were trying to secure" (*id.* at 1379), and rejected as "utterly incredible" the plaintiff's assertion that it did not consider this undisclosed prior art to be relevant. *Id.* at 1380. Despite these findings, however, the Fifth Circuit did not conclude that *Walker Process* fraud had been proven -- as would have been required under the rule adopted by the court of appeals in this case. Instead, the Fifth Circuit remanded to the district court for it to "determine whether [plaintiff] indulged in knowing, willful *misrepresentation* of material facts" so as to permit imposition of antitrust liability. *Id.* at 1381 (emphasis added). In the Fifth Circuit's view, the fact that the plaintiff

had made deliberate and material omissions in order to obtain issuance of the patent "does not fully answer the question whether [plaintiff] engaged in willful and knowing *misrepresentations* of material facts" so as to permit a finding of *Walker Process* fraud. *Id.* at 1381 n.27 (emphasis added). Thus, the Fifth Circuit clearly signalled its understanding that *Walker Process* requires proof of affirmative misrepresentations, not mere omissions.

The foregoing discussion amply demonstrates that the courts of appeals have adopted inconsistent standards regarding the necessary elements of a *Walker Process* fraud claim. This disagreement among the circuits shows no signs of diminishing with time, and arises frequently in patent and antitrust cases. It is clear, moreover, that this case squarely presents the issue that has divided the circuits. As the court below recognized, under the rule announced by the Fifth, Sixth, Seventh, and Ninth Circuits, Nobelpharma could not have been held liable for an antitrust violation. Under the law of the District of Columbia, Eighth, and Federal Circuits, by contrast, mere omissions suffice to prove *Walker Process* fraud.

This case provides a particularly appropriate vehicle for reexamining the scope and requirements of this Court's *Walker Process* decision. The two conflicting opinions issued by the court below highlight the dichotomy in the approaches followed by the courts of appeals to date, and illustrate with unmistakable clarity the consequences of the new rule adopted below. Moreover, this case provides an opportunity for this Court to clarify the standards applicable to *Walker Process* claims involving the conduct of patent applicants (here, Dr. Branemark) as well as of subsequent patent assignees (here, Nobelpharma). And the facts of this case present these questions in a particularly stark setting: Only by expanding the holding and rationale of *Walker Process* almost beyond recognition was the court of appeals able to conclude that the type of omissions at issue here sufficed to establish *Walker Process* fraud. This Court should grant certiorari to make clear that *Walker Process* requires more than the con-

duct alleged here, and to prevent the court of appeals' decision from creating a regime under which virtually every submission to the patent office and other government agencies will be susceptible to challenge by adversely affected parties under a *Walker Process* theory.

III. The Courts Of Appeals Are Divided Over The Question Whether The Crime-Fraud Exception Extends To An Attorney's Legal Advice That Is Rejected Or Ignored By The Client

It has long been established that the attorney-client privilege does not extend to attorney-client communications "made in furtherance of a crime or fraud." *United States v. Zolin*, 491 U.S. 554, 563 (1989); *see United States v. Clarke*, 289 U.S. 1, 15 (1933). The crime-fraud exception is limited in scope, however; it applies only if the party seeking to pierce the privilege makes "a prima facie showing that the communications were in furtherance of an intended or present illegality and that there is some relationship between the communications and the illegality." *United States v. Chen*, 99 F.3d 1495, 1503 (9th Cir. 1996), *cert. denied*, 117 S. Ct. 1429 (1997); *accord Charles Woods Television Corp. v. Capital Cities/ABC, Inc.*, 869 F.2d 1155, 1161-2 (8th Cir. 1989) (crime-fraud exception requires "a prima facie showing that [the client] communicated with outside counsel in furtherance of a fraud and that the communication bore a close relationship to the fraud"); *In re Antitrust Grand Jury*, 805 F.2d 155, 164 (6th Cir. 1986) (exception applies to "communications . . . made in furtherance of a crime or fraud.").

In this case, the court of appeals held that the crime-fraud exception was applicable to counsel's alleged statements that if "[Nobelpharma] were to sue anyone on the patent we would lose in the first round. . . . [T]here was prior art . . . that would invalidate the patent." App., *infra*, 26a. The court applied the crime-fraud exception despite the fact that the communication at issue was not used by Nobelpharma in any way to advance its allegedly fraudulent enforcement of the '891 patent. To the contrary, as respondents expressly

conceded below (Resp. C.A. Br. 41), Nobelpharma "ignored" this alleged advice and sought to enforce the patent despite counsel's alleged statement that it was invalid.

The court of appeals' decision to extend the crime-fraud exception to circumstances in which the communication at issue was not made or used to advance a criminal or fraudulent scheme highlights and exacerbates an existing circuit conflict regarding the proper scope of the crime-fraud exception. Like the court below, some circuits have concluded that the crime-fraud exception extends to circumstances in which an attorney's communications do not assist the defendant's criminal or fraudulent conduct but are instead rejected or ignored by the client. Other circuits hold, by contrast, that such communications are privileged and do not fall within the crime-fraud exception because they were not used by the client to further its improper activities. Only intervention by this Court can resolve this growing conflict.

A. Some Circuits Have Extended The Crime-Fraud Exception To Attorney Opinions That Are Rejected Or Ignored By The Client

The Fifth Circuit takes the position that the crime-fraud exception applies without regard to whether the attorney's advice was actually used or followed by the client in perpetrating a crime or fraud. In *United States v. Neal*, 27 F.3d 1035 (5th Cir. 1994), for example, the attorney declined to advise the defendants regarding their activities, stating that their conduct "'was illegal, and that he was not going to get involved in it.'" *Id.* at 1047. The court of appeals held that the attorney's advice was admissible under the crime-fraud exception, even though the advice did not in fact promote or aid such activity in any fashion. *Id.* at 1047-48. *Accord United States v. Ballard*, 779 F.2d 287, 292-93 (5th Cir. 1986) (applying crime-fraud exception to communications by an attorney even though the client rejected the attorney's advice not to commit bankruptcy fraud).

The Third Circuit appears to follow a similar approach. In *United States v. Inigo*, 925 F.2d 641 (3d Cir. 1991), the

court held that the crime-fraud exception applied to a client's consultations with an attorney about the legality of his actions, even though the attorney refused to represent the client because, in his opinion, the client's conduct was illegal. *Id.* at 657. Despite the fact that the attorney made no communications that aided or facilitated the client's criminal or fraudulent conduct, the court reasoned that the crime-fraud exception applied because the client entered the meeting with the *intent* to further an ongoing crime. *Id.*

The decision of the court of appeals in this case aligns the Federal Circuit squarely with those circuits that do not require the attorney's advice to have been used or relied upon in furtherance of improper conduct before the crime-fraud exemption will be applied. According to the testimony of Dr. Green, the legal advice given by Nobelpharma's attorney was that no action to enforce the patent should be taken because such action would be meritless. App., *infra*, 25a-26a. Far from aiding or furthering the alleged fraud, this alleged communication counseled *against* such conduct and did not aid it in any way. Nonetheless, the court of appeals specifically approved the district court's decision to admit this evidence under the crime-fraud exception (*id.* at 26a, 55a-58a), even though it is undisputed that Nobelpharma's challenged conduct was directly inconsistent with the legal advice allegedly provided.

B. Other Circuits Construe The Crime-Fraud Exception To Apply Only Where The Privileged Communications Are Actually Used To Further Criminal Or Fraudulent Activity

The Ninth Circuit has adopted a rule that places it in direct conflict with the approach followed by the court below and by the Third and Fifth Circuits. In *United States v. Bauer*, 132 F.3d 504, 506 (9th Cir. 1997), the client sought legal advice concerning his bankruptcy petition. The attorney counseled the client to make complete and truthful disclosures in the petition. *Id.* at 507. Disregarding his attorney's advice, the client instead made misrepresentations in his bankruptcy filing and was later charged with bankruptcy fraud. *Id.* The

Bauer court held that the attorney-client communications were inadmissible, noting that under Ninth Circuit law the crime-fraud exception applies only where "the attorney's services were *utilized in furtherance* of the ongoing unlawful scheme." *Id.* at 509 (emphasis added; internal quotation marks omitted). The court concluded that the attorney's advice had not been "*used* by [the client] 'in furtherance of' his fraudulent scheme to falsify his bankruptcy petition." *Id.* at 510 (emphasis added). Because the client "in fact did precisely the opposite" of what his attorney had counseled, "[i]t is impossible to discern a causal connection or functional relationship between the advice given by [the attorney] and the actions taken by [the client]." *Id.* Accordingly, the unheeded legal opinion could not fall within the crime fraud-exception because it was not used to further the fraud.[6]

The District of Columbia Circuit has similarly held that an unheeded legal opinion cannot serve as the basis for applying the crime-fraud exception because it was not "in furtherance" of the crime. In *United States v. White*, 887 F.2d 267 (D.C. Cir. 1989), the court declined to extend the crime-fraud exception to an attorney's communication advising that a particular course of conduct would be illegal. In an opinion authored by now-Justice Ginsburg, the court emphasized that "[t]he crime-fraud exception has a precise focus: It applies only when the communications between the client and his lawyer further a crime, fraud or other misconduct." *Id.* at 271. In view of the substance of the attorney's communica-

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6 The Ninth Circuit's holding in *Bauer* is consistent with prior Ninth Circuit case law limiting the crime-fraud exception to circumstances in which the otherwise privileged communications are *used* to further criminal or fraudulent activity. *See, e.g., United States v. Chen*, 99 F.3d 1495, 1503 (9th Cir. 1996) ("The test for invoking the crime-fraud exception to the attorney-client privilege is whether there is 'reasonable cause to believe that the attorney's services were *utilized* in furtherance of the ongoing unlawful scheme.'") (emphasis added), *cert. denied*, 117 S. Ct. 1429 (1997).

tion, it was plain that the crime-fraud exception could not be applied, because the "[attorney's] advice was intended to prevent unlawful conduct." *Id.* As the court observed, the client's "failure to heed his lawyer's counsel d[id] not alter this critical facet of the case." *Id.*

The law in other circuits appears to be the same. In *United States v. Jacobs*, 117 F.3d 82, 87-88 (2d Cir. 1997), for example, the court observed that the crime-fraud exception "applies only when the communications between the client and his lawyer further a crime, fraud or other misconduct. It does not suffice that the communications may be related to a crime.'" *Id.* at 88 (quoting *United States v. White*, 887 F.2d at 271); *see also* 117 F.3d at 87 (exception applies to the "*use* of the communication in furtherance of a crime or fraud") (emphasis added). Under this view of the crime-fraud exception, the *Jacobs* court explained, "[a] wrongdoer's failure to heed the advice of his or her lawyer does not remove the privilege." *Id.* at 88. *See also Cox v. Administrator U.S. Steel & Carnegie*, 17 F.3d 1386, 1416 (11th Cir. 1994) (holding that the focus of the crime-fraud exception is on "'communications that should not be privileged because they were *used* to further a crime or a fraud'") (emphasis added).

C. This Court's Review Is Necessary To Resolve The Conflict Among The Circuits On This Important Issue

The foregoing discussion illustrates the disagreement among the courts of appeals over the proper scope of the crime fraud exception. The Third, Fifth, and Federal Circuits have all held that attorney communications do not have to be used by a client to assist or further criminal or fraudulent conduct in order to fall within the crime-fraud exception. Several other circuits, including most notably the Ninth and District of Columbia Circuits, adhere to precisely the opposite view, holding that the crime-fraud exception does not apply where the attorney's communication or advice does not further the client's misconduct and is not actually used by the client. As demonstrated by the divergent positions recently taken by the Ninth Circuit in *Bauer* and the Federal Circuit in the decision

below, this conflict among the circuits shows no signs of diminishing with time.

It is readily apparent, moreover, that this case directly implicates the widening circuit conflict on this issue. Under the rule followed by the Ninth and District of Columbia Circuits (among others), Nobelpharma's privileged communications with its attorneys plainly would not be subject to the crime-fraud exception. Counsel's alleged statement that Nobelpharma should not bring a patent infringement action because it would lack merit did nothing to further Nobelpharma's alleged fraud, and (if made) was disregarded by the client. Since the advice was never used to further the alleged misconduct, "[i]t is impossible to discern a causal connection or functional relationship between the advice given" and the actions taken by Nobelpharma. *Bauer*, 132 F.3d at 510. The Federal Circuit's contrary conclusion presents this issue squarely, and renders this case an appropriate vehicle for review.

This question is also one of extraordinary significance that merits this Court's considered attention. Clarity, certainty, and uniformity in the law are of particular importance to the effective operation of the attorney-client and other privileges. As this Court explained with respect to the patient-therapist privilege in *Jaffee v. Redmond*, 116 S. Ct. 1923 (1996), "[m]aking the promise of confidentiality contingent . . . would eviscerate the effectiveness of the privilege" (*id.* at 1932), and the "promise of confidentiality" offered by the law of one jurisdiction "would have little value" if the client were concerned that a court in a different jurisdiction would breach the privilege. *Id.* at 1930. Those concerns are at least equally applicable to the attorney-client privilege, which is justified by the compelling need to encourage full and frank communications between attorneys and clients and thereby promote the observance of law and the administration of justice. *Swidler & Berlin v. United* States, No. 97-1192, slip op. 7 (U.S. June 25, 1998); *Upjohn Co. v. United States*, 449 U.S. 383, 389 (1981). That important goal cannot be achieved if clients lack confidence about the nature of the communications that will

be protected from disclosure. As the *Upjohn* Court observed, "[a]n uncertain privilege is little better than no privilege at all." *Id.* at 393. For that reason, the Court recently granted certiorari in *Swidler & Berlin, supra*, in order to decide a question (whether the attorney-client privilege survives death in the context of a grand jury investigation) that had been addressed by only one federal appellate court and arises far less frequently than the question presented here. This Court's review is similarly warranted in this case in order to resolve the existing circuit conflict and bring clarity and certainty to this important area of the law.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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July 27, 1998

APPENDIX

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

96-1463

NOBELPHARMA AB,

Plaintiff/Counterclaim Defendant-Appellant,

and

NOBELPHARMA USA, INC.,

Counterclaim Defendant-Appellant,

and

PER INGVAR BRANEMARK AND INSTITUTE FOR APPLIED BIOTECHNOLOGY,

Counterclaim Defendants,

v.

IMPLANT INNOVATIONS, INC.,

Defendant Counterclaimant-Appellee.

Donald R. Dunner, Finnegan, Henderson, Farabow, Garrett & Dunner, L.L.P., of Washington, D.C., argued for the plaintiff/counterclaim defendant-appellant and counterclaim defendant-appellant. With him on the brief were Robert D. Bajefsky and David A. Manspeizer. Of counsel on the brief were Robert A. Bourque, Kathleen M. Scanlon, and Lawrence M. Young, Simpson, Thacher & Bartlett, of New York, New York, and Alan I. Becker, Burditt & Radzius, Chartered, of Chicago, Illinois.

D. Dennis Allegretti, Burns & Levinson, LLP, of Boston, Massachusetts, argued for the defendant counterclaimant-appellee. With him on the brief were Stephen G. Rudisill, Arnold, White & Durkee, and Edward L. Foote and Peter C. McCabe, III, Winston & Strawn, of Chicago, Illinois.

Appealed from: United States District Court for the Northern District of Illinois

Judge Duff

* * * * *

DECIDED: March 20, 1998

This decision supersedes the decision issued on November 18, 1997.

Before RICH, PLAGER, and LOURIE, Circuit Judges.

LOURIE, Circuit Judge.

Nobelpharma AB and Nobelpharma USA, Inc. (collectively, NP) appeal from the judgment of the United States District Court for the Northern District of Illinois holding that (1) U.S. Patent 4,330,891 is invalid under 35 U.S.C. § 112, ¶ 1 (1994), for failure to disclose the best mode of carrying out the invention, (2) Implant Innovations, Inc. (3I) did not infringe the '891 patent, and (3) NP was not entitled to JMOL or, in the alternative, a new trial following the jury verdict in favor of 3I on its antitrust counterclaim against NP, Dr. Per-Ingvar Branemark, and the Institute of Applied Biotechnology. See Nobelpharma AB v. Implant Innovations, Inc., 930 F. Supp. 1241 (N.D. Ill. 1996). We conclude that the district court did not err in granting judgment that the patent is invalid as a matter of law at the close of NP's case-in-chief, and that it did not err in denying NP's

motion for JMOL or a new trial on the antitrust counterclaim. Accordingly, the decision of the district court is affirmed.[1]

BACKGROUND

Drs. Branemark and Bo-Thuresson af Ekenstam are the named inventors on the '891 patent, the application for which was filed in 1980 and claimed priority from a Swedish patent application was filed in 1979. The patent claims "an element intended for implantation into bone tissue." This "element," when used as part of a dental implant, is placed directly into the jawbone where it acts as a tooth root substitute. The implants described and claimed in the patent are preferably made of titanium and have a network of particularly-sized and particularly-spaced "micropits." These micropits, which have diameters in the range of about 10 to 100 nanometers or, preferably, 10 to 300 nanometers, allow a secure connection to form between the implant and growing bone tissue through a process called "osseointegration."

Branemark is also one of the authors of a book published in 1977, entitled "Osseointegrated Implants in the Treatment of the Edentulous Jaw Experienced from a 10-Year Period" (hereinafter "the 1977 Book"). As its title suggests, this book describes a decade-long clinical evaluation of patients who had received dental implants. The 1977 Book includes a single page containing four scanning electron micrographs (SEMs) of titanium implants that exhibit micropits. The caption describing these SEMs reads, in part: "Irregularities are produced during manufacturing in order to increase the retention of the implants within the mineralized tissue." 3I determined, based on measurements and calculations that it presented to the trial court, that the micropits shown in the 1977

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1 Following the filing of a combined petition for rehearing and suggestion for rehearing in banc, the panel has reconsidered and modified its decision in this case. Accordingly, the earlier-issued decision is hereby vacated and the opinion, reported at 129 F.3d 1463, 44 USPQ2d 1705, is hereby withdrawn.

Book have diameters within the range claimed in the '891 patent. However, the 1977 Book does not specifically refer to "micropits."

In preparing to file the Swedish patent application, af Ekenstam submitted a draft written description of the invention to the inventors' Swedish patent agent, Mr. Barnieske. This draft referred to the 1977 Book in the following translated passage:

> In ten years of material pertaining to titanium jaw implants in man, Branemark et al. [in the 1977 Book] have shown that a very high frequency of healing, as stated above, can be achieved by utilizing a carefully developed surgical technique and adequately produced implants.

However, Barnieske deleted all reference to the 1977 Book from the patent application that was ultimately filed in Sweden. Similarly, the 1977 Book is not mentioned in the U.S. patent application filed by Barnieske on behalf of Branemark and af Ekenstam.

In June 1980, while the U.S. patent application was pending, Branemark entered into an exclusive license agreement with NP covering the claimed technology.[2] Barnieske kept NP informed of the prosecution of the U.S. patent application and received assistance from NP's U.S. patent agent. The '891 patent issued in 1982; NP has since asserted it in at least three patent infringement suits.

In July 1991, while Branemark was a member of NP's Board of Directors, NP brought this suit alleging that certain of 3I's dental implants infringed the '891 patent. 3I defended on the grounds of invalidity, enforceability, and

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2 The district court indicated that Branemark and af Ekenstam assigned the '891 patent to NP prior to NP's bringing this suit. 3I has not challenged NP's standing to bring this patent infringement claim without joining Branemark and af Ekenstam.

non-infringement. 3I also brought an antitrust counterclaim, based in part on the assertion that NP attempted to enforce a patent that it knew was invalid and unenforceable. Specifically, 3I alleged that when NP brought suit, NP was aware that the inventors' intentional failure to disclose the 1977 Book to the U.S. Patent and Trademark Office (PTO) would render the '891 patent unenforceable.

During its case-in-chief, NP introduced portions of a deposition of Branemark that apparently was conducted several years before this trial began in connection with a lawsuit involving neither NP nor 3I. NP also introduced into evidence portions of that deposition that were counter-designated for introduction by 3I. Branemark's deposition testimony included his admissions that one "could consider" the procedure used to manufacture the micropitted surface a trade secret, and "it might be" that there are details "important to making" the micropitted surface that are not disclosed in the patent. At the close of NP's case-in-chief, the district court gained 3I's motion for JMOL of invalidity and non-infringement. The court held that the patent was invalid under § 112, ¶ 1, for failure to disclose the best mode and that NP had failed to prove infringement. The court then denied NP's motion for JMOL on 3I's antitrust counterclaim, proceeded to inform the jury that the court had held the patent invalid, and allowed 3I to present the counterclaim to the jury.

After trial limited to the antitrust issue, the jury found in special verdicts, inter alia, that 3I had proven that (1) "the inventors or their agents or attorneys obtained the '891 patent through fraud," (2) NP "had knowledge that the '891 patent was obtained by fraud at the time this action was commenced against 3I," and (3) NP "brought this lawsuit against 3I knowing that the '891 patent was either invalid or unenforceable and with the intent of interfering directly with 3I's ability to compete in the relevant market." The jury awarded 3I approximately $3.3 million in compensatory damages, an amount the court trebled pursuant to section 4 of the Clayton Act, 15 U.S.C. § 15 (1994). The court declined to rule on whether the patent was unenforceable for inequitable conduct,

concluding that its judgment of invalidity rendered the issue of enforceability moot. Nobelpharma AB v. Implant Innovations, Inc., 875 F. Supp. 481, 34 USPQ2d 1090 (N.D. Ill. 1995).

The court then denied NP's renewed motion for JMOL on the counterclaim or, in the alternative, for a new trial on both the counterclaim and the infringement claim. Nobelpharma AB, 930 F. Supp. at 1246. In denying NP's post-verdict motion for a new trial on the issue of infringement, the district court again concluded that the patent was invalid for failure to disclose the best mode. Id. at 1247-49. The court also concluded that NP was not entitled to JMOL on the counterclaim because, inter alia, "NP, as the assignee of the patent, maintained and enforced the patent with knowledge of the patent's fraudulent derivation." Id. at 1257. The court denied NP's motion for a new trial on the counterclaim, holding, inter alia, that it did not err in its evidentiary rulings or in refusing to instruct the jury that in order to impose antitrust liability against NP, it must find NP's lawsuit "objectively baseless." Id. at 1264.

NP appealed to this court, challenging the district court's grant of 3I's motion for JMOL of invalidity and non-infringement and its denial of the post-verdict motion for JMOL or a new trial. We have jurisdiction pursuant to 28 U.S.C. § 1295(a)(1) (1994).

DISCUSSION

A. Invalidity

At the close of NP's case-in-chief, the district court granted 3I's motion for judgment of invalidity under § 112, ¶ 1, as a matter of law for failure to disclose the best mode of practicing the invention. NP then filed a motion for reconsideration, which was denied, in order to reopen the evidence and offer proof regarding its compliance with § 112, ¶ 1. After the jury returned its verdict in favor of 3I on its antitrust counterclaim, NP moved for a new trial, again arguing that the court had erred in granting 3I's motion for JMOL. In reaffirming its decision to grant 3I's motion for JMOL, the

district court held that Branemark's own testimony "demonstrates that when [he] filed his patent application, he contemplated a best mode of practicing his invention, but his disclosures were inadequate to enable one skilled in the art to practice that best mode." 930 F. Supp. at 1248. The district court also explicitly noted that its decision was not based on Branemark's purported "non-disclosure" of NP's later-developed manufacturing procedure. Id.

On appeal, NP again argues that the district court erred in granting JMOL on the invalidity issue because in doing so the court drew improper, unsupported inferences against NP and erroneously imposed on NP the burden of proving validity. NP also argues that the grant of JMOL denied it due process because the court had mandated a "natural order of proof" at trial and thus had effectively barred NP from introducing any evidence to show that it had satisfied the best mode requirement during its case-in-chief.

In response, 3I argues that Branemark's own unequivocal admissions indicate that he had developed and tested a preferred method of making the claimed implants when the patent application was filed. 3I also argues that Branemark admitted that the patent does not contain a disclosure adequate to enable one of ordinary skill in the art to practice this method. Finally, 3I argues that NP was not denied due process because NP had sufficient opportunity to offer evidence in opposition to 3I's motion for JMOL of invalidity and failed to do so. We agree with 3I that the court did not err in its grant of the motion for JMOL and therefore that the court did not err in denying NP's motion for a new trial on its infringement claim.

We review a district court's grant of a motion for JMOL under Fed. R. Civ. P. 50(a)(1) de novo by reapplying the standard applicable at the district court. See Allied Colloids Inc. v. American Cyanamid Co., 64 F.3d 1570, 1573, 35 USPQ2d 1840, 1841 (Fed. Cir. 1995). Under that standard, we examine the record in the light most favorable to the non-movant, which in this case is NP, and afford it the benefit of all reasonable inferences. Id. Accordingly, "[w]e may af-

firm only if the judgment entered was the only one possible under the controlling law." Burroughs Wellcome Co. v. Barr Lab., Inc., 40 F.3d 1223, 1227, 32 USPQ2d 1915, 1919 (Fed. Cir. 1994), cert. denied, 116 S. Ct. 771 (1996) (citing Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 250 (1986) (prohibiting JMOL "[i]f reasonable minds could differ as to the import of the evidence.")).

Rule 50(a)(1) provides, in relevant part, that if

> a party has been fully heard on an issue and there is no legally sufficient evidentiary basis for a reasonable jury to find for that party on that issue, the court may determine the issue against that party and may grant a motion for judgment as a matter of law [JMOL] against that party with respect to a claim or defense that cannot under the controlling law be maintained or defeated without a favorable finding on that issue.

Fed. R. Civ. P. 50(a). "Thus, the verdict may be directed after the plaintiff's case is presented, when it is clear that completion of the trial is unnecessary in that the only sustainable verdict could be in favor of the defendant." Allied Colloids, 64 F.3d at 1573, 35 USPQ2d at 1841.

By statute, patents are presumed to be valid. 35 U.S.C. § 282 (1994). Thus, 3I had the burden of establishing by clear and convincing evidence facts supporting the conclusion that the '891 patent in invalid. See Transco Prods. Inc. v. Performance Contracting, Inc., 38 F.3d 551, 560, 32 USPQ2d 1077, 1084 (Fed Cir. 1994). The patent statute requires that a patent specification "shall set forth the best mode contemplated by the inventor of carrying out his invention." 35 U.S.C. § 112, ¶ 1 (1994). Determining whether a patent fails to comply with the best mode requirement and is thus invalid involves two factual inquiries. First, the fact-finder must determine whether at the time an applicant filed an application for patent, he or she had a best mode of practicing the invention, which is a subjective determination. Second, if the inventor had a best mode of practicing the invention, the

fact-finder must determine whether the best mode was disclosed in sufficient detail to allow a skilled artisan to practice it without undue experimentation. See United States Gypsum Co. v. National Gypsum Co., 74 F.3d 1209, 1212, 37 USPQ2d 1388, 1390 (Fed. Cir. 1996).

For whatever reason, NP introduced as part of its own case-in-chief all of the portions of Branemark's deposition that were counter-designated by 3I.[3] These included Branemark's statements, introduced by and unchallenged by NP, that (1) "there were some minor details that were not included [in the patent] and which proved to be quite important," (2) other skilled artisans would have to be "lucky" to obtain a suitable micropitted implant "by cutting a piece of titanium at a speed less than twenty meters per minute," the cutting speed disclosed in the patent, and (3) "any of the small detailed recipes that I discussed but did not specify" in the patent "can cause you to fail to get micropitting even though you were cutting the metal at less than twenty meters per minute." The record also unambiguously indicates that when he filed his patent application, Branemark was aware that a variety of undisclosed machining parameters were critical to the production of a functional implant, i.e., one that would allow for osseointegration. Moreover, the research on which the 1977 Book was based also indicates that Branemark possessed a preferred mode of making the claimed implants by the time the U.S. patent application was filed in 1980. Thus, the evidence at trial leads to only one reasonable conclusion: Branemark possessed a preferred method of making the claimed invention and failed to disclose it sufficiently to enable those skilled in the art to practice that method.

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3 NP suggests that it introduced the portions counter-designated "as a matter of convenience and efficiency" during its own case-in-chief. At oral argument, NP also suggested that it introduced these portions "as a courtesy" to 3I. While such motives are commendable, they do not change the significance and meaning of this evidence.

Normally, evidence presented by a patentee-plaintiff will not support a grant of a JMOL invalidating a patent. That is because the burden is on an accused infringer to show by clear and convincing evidence facts supporting the conclusion that the patent is invalid. See generally 9A Charles Alan Wright & Arthur R. Miller, Federal Practice and Procedure § 2535, at 325 (2d ed. 1994) ("[C]ourts often caution that granting a [JMOL] for the party bearing the burden of proof is reserved for extreme cases."). Accordingly, grant of JMOL in favor of a party bearing the burden of proof may be granted only where (1) the movant "has established [its] case by evidence that the jury would not be at liberty to disbelieve" and (2) "the only reasonable conclusion is in [the movant's] favor." Hurd v. American Hoist & Derrick Co., 734 F.2d 495, 499 (10th Cir. 1984). However, in unusual cases, an admission made by a plaintiff's witness can be sufficient to support entry of a MJOL in favor of a defendant after the close of the plaintiff's case-in-chief, even where the defendant bears the burden of proof on the decided issue. See, e.g., Falco Lime, Inc. v. Tide Towing Co., 29 F.3d 362, 365-66 (8th Cir. 1994) (holding that JMOL was properly granted after the close of plaintiff's case in view of the admissions of plaintiff's chief witness regarding a contract that established defendant's affirmative defense). Given Branemark's admissions, we conclude that this is one of those "extreme" cases in which it was not improper to grant JMOL in favor of a defendant on an issue regarding which it bore the burden of proof.

Contrary to NP's arguments, the district court did not draw adverse inferences against NP to support its judgment. Rather it properly relied on a co-inventor's statements "that the jury would not be at liberty to disbelieve." Hurd, 734 F.2d at 499. Similarly, the district court did not place the burden of proving validity on NP; NP's own evidence was clear and convincing that the patent is invalid. This evidence led to "the only reasonable conclusion." Id.

We also agree with 3I that NP was not denied due process. When NP was confronted with 3I's motion for JMOL, it was not unfairly surprised. 3I had consistently alleged that

the '891 patent was invalid under § 112, ¶ 1. Moreover, NP had an opportunity to oppose 3I's motion, but it failed to do so adequately. After the court's grant of JMOL, NP responded by offering evidence and argument only concerning NP's later-developed manufacturing procedure. However, as noted above, the district court's ultimate decision did not rely on the "non-disclosure" of NP's later-developed manufacturing processes. Likewise, in affirming the decision of the district court, we do not rely on that evidence. Rather, we rely only on the clear and convincing evidence that Branemark failed to disclose his best mode of practicing the claimed invention when he filed his patent application. NP failed to present any evidence or argument to undermine the import of that evidence, even though it knew that the best mode issue was before the court; it thus had ample opportunity to prepare and present evidence and argument. Whatever disadvantage NP may have suffered when the JMOL was granted was rectified by the opportunity it had after the judgment was rendered. Any error was thus harmless. NP was therefore not denied due process.

Accordingly, we affirm the judgment that the '891 patent is invalid as a matter of law under § 112, ¶ 1, for failure to disclose the best mode of practicing the invention. Because we affirm the district court's decision holding the patent invalid we need not consider NP's arguments concerning infringement. See B.F. Goodrich Co. v. Aircraft Braking Sys. Corp., 72 F.3d 1577, 1583, 37 USPQ2d 1314, 1319 (Fed. Cir. 1996).

B. Antitrust Liability

I.

After the jury returned its verdict in favor of 3I on its counterclaim that NP violated the antitrust laws by bringing suit against 3I, the court denied NP's motion for JMOL or, in the alternative, for a new trial under Fed. R Civ. P.50(b). In denying NP's motion, the district court held that the verdict was supported, inter alia by the jury's factual findings that the patent was obtained through "NP's knowing fraud upon, or

intentional misrepresentations to, the [PTO]" and that "NP maintained and enforced the patent with knowledge of the patent's fraudulent derivation" and with the intent of interfering directly with 3I's ability to compete in the relevant market. 930 F. Supp. at 1257. The court further held, based on these findings, that the jury need not have considered whether NP's suit was "objectively baseless." Id. at 1264.

In support of its position that the court erred in denying its renewed motion for JMOL, NP argues that there was a lack of substantial evidence to support the jury's findings that the patent was obtained through "fraud" and that NP was aware of that conduct when it brought suit against 3I. NP also argues that these findings, even if supported by substantial evidence, do not provide a legal basis for the imposition of antitrust liability. Finally, NP argues that it is entitled to a new trial because the court failed to instruct the jury that bringing a lawsuit cannot be the basis for antitrust liability if that suit is not "objectively baseless."

3I responds that the jury's explicit findings that the patent was procured through fraudulent conduct and that NP knew of that conduct when it brought suit were supported by substantial evidence, and that these findings provide a sound basis for imposing antitrust liability on NP. Responding to NP's arguments for a new trial, 3I argues that an "objectively reasonable" or "objectively baseless" jury instruction was not necessary because the district court required that 3I prove that NP had actual knowledge of the fraud when it brought suit and that even if such an instruction had been necessary, NP waived this argument by failing to propose a jury instruction relating to an "objectively baseless" standard. We agree with 3I that the court did not err in denying NP's motion for JMOL because substantial evidence supports the jury's findings that the patent was fraudulently obtained and that NP sought to enforce the patent with knowledge of its fraudulent origin. Similarly, the court did not err in denying NP's motion for a new trial because NP was not prejudiced by any legally erroneous jury instruction.

We review a district court's denial of a post-trial motion for JMOL under Fed. R. Civ. P.50(b) de novo by reapplying the standard applicable at the district court. Thus, this court

> must determine whether there exists evidence of record upon which a jury might properly have returned a verdict in [the non-movant's] favor when the correct legal standard is applied. If there is not, [the movant] was entitled to have the question removed from the jury and decided as a matter of law.

Markman v. Westview Instruments, Inc., 52 F.3d 967, 975, 34 USPQ2d 1321, 1326 (Fed. Cr. 1995) (in banc) (quoting Jamesbury Corp. v. Litton Indus. Prods., Inc., 756 F.2d 1556, 1560, 225 USPQ 253, 257 (Fed. Cir. 1985)), aff'd, 116 S. Ct. 1384, 38 USPQ2d 1461 (1996); see also Deimer v. Cincinnati Sub-Zero Prods., Inc., 58 F.3d 341, 343 (7th Cr. 1995); Shearing v. Iolab Corp., 975 F.2d 1541,1544, 24 USPQ2d 1133, 1136 (Fed. Cir. 1992) ("On appeal after denial of a motion for JNOV, the appellant must prove that the record lacks substantial evidence to support the jury's verdict."). In applying this standard, we must also "view the evidence in the light most favorable to the nonmoving party" which in this case is 3I. Deimer, 58 F.3d at 343.

We review a district court's denial of a motion for a new trial for an abuse of discretion. Railroad Dynamics, Inc. v. A. Stucki Co., 727 F.2d 1506, 1512, 220 USPQ 929, 936 (Fed. Cir. 1984). Accordingly, we may reverse the district court if, inter alia, the district court prejudiced NP's substantive rights by abusing its discretion in admitting or excluding evidence, see Munoz v. Strahm Farms, Inc., 69 F.3d 501, 36 USPQ2d 1499, 1501 (Fed. Cir. 1995), or by giving legally erroneous jury instructions, see Jamesbury, 756 F.2d at 1558, 225 USPQ2d at 255. See generally 12 McLaughlin et al Moore's Federal Practice § 59.20 to 59.25, at 59-27 to 59-47 (3d ed. 1997).

II.

As a general proposition, when reviewing a district court's judgment involving federal antitrust law, we are

guided by the law of the regional circuit in which that district court sits. See Loctite Corp. v. Ultraseal Ltd., 781 F.2d 861, 875, 228 USPQ 90, 99 (Fed. Cir. 1985) ("We must approach a federal antitrust claim as would a court of appeals in the circuit of the district court whose judgment we review.") (citing Atari, Inc. v. JS&A Group, Inc., 747 F.2d 1422, 143840, 223 USPQ 1074, 1086-87 (Fed. Cr. 1984) (in banc)); see also Cygnus Therapeutics Svs. v. ALZA Corp., 92 F.3d 1153, 1161, 39 USPQ2d 1666, 1672 (Fed. Cr. 1996) (citing Loctite). However, we apply our own law, not regional circuit law, to resolve issues that clearly involve our exclusive jurisdiction. See Pro-Mold & Tool Co. v. Great Lakes Plastics, Inc., 75 F.3d 1568, 1574-75, 37 USPQ2d 1626, 1631 (Fed. Cir, 1996) (holding as a matter of Federal Circuit law that an allegation of inequitable conduct in the prosecution of a patent application cannot support a federal unfair competition claim) (citing Chrysler Motors Corp. v. Auto Body Panels, Inc., 908 F.2d 951, 953 15 USPQ2d 1469,1470 (Fed. Cir. 1990)). See generally Biodex Corp. v. Loredan Biomedical, Inc., 946 F.2d 850, 855-58, 20 USPQ2d 1252,1256-59 (Fed. Cir. 1991).

Whether conduct in the prosecution of a patent is sufficient to strip a patentee of its immunity from the antitrust laws is one of those issues that clearly involves our exclusive jurisdiction over patent cases. It follows that whether a patent infringement suit is based on a fraudulently procured patent impacts our exclusive jurisdiction.

Moreover, an antitrust claim premised on stripping a patentee of its immunity from the antitrust laws is typically raised as a counterclaim by a defendant in a patent infringement suit. See Argus Chem. Corp. v. Fibre Glass-Evercoat Co., 812 F.2d 1381, 1383,1 USPQ2d 1971, 1973 (Fed. Cir. 1987) ("Walker Process, like the present case, was a patent infringement suit in which an accused infringer filed an antitrust

counterclaim.").[4] Because most cases involving these issues will therefore be appealed to this court, we conclude that we should decide these issues as a matter of Federal Circuit law, rather than rely on various regional precedents. We arrive at this conclusion because we are in the best position to create a uniform body of federal law on this subject and thereby avoid the "danger of confusion [that] might be enhanced if this court were to embark on an effort to interpret the laws" of the regional circuits. Forman v. United States, 767 F.2d 875, 880 n.6 (Fed. Cir. 1985). Accordingly, we hereby change our precedent and hold that whether conduct in procuring or enforcing a patent is sufficient to strip a patentee of its immunity from the antitrust laws is to be decided as a question of Fed-

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4 Compare Tank Insulation Intl, Inc. v. Insultherm. Inc., 104 F.3d 83, 88 & n.5, 41 USPQ2d 1545,1549 & n.5 (5th Cir.), cert. denied, 118 S. Ct. 265 (1997), and Hydranautics v. Film-Tec Corp., 70 F.3d 533, 536-37, 36 USPQ2d 1773,1775 (9th Cir. 1995) ("A claim that patent infringement litigation violated an antitrust statute is a permissive, not a mandatory, counterclaim in a patent infringement case, and is not barred in a subsequent suit by failure to raise it in the infringement suit." (citing Mercoid Corp. v. Mid-Continent Inv. Co., 320 U.S. 661, 669-71, 60 USPO 21, 26-27 (1944))) with Burlington Indus., Inc. v. Milliken & Co., 690 F.2d 380, 389, 217 USPO 662,668 (4th Cir. 1952) (stating that Mercoid "has been read narrowly in this respect, and its continuing validity is open to serious question." (citing United States v. Eastport S.S. Corp., 255 F.2d 795, 805 (2d Cir. 1958); Martino v. McDonald's Sys., Inc., 432 F. Supp. 499, 505 (N.D. Ill. 1977), aff'd, 598 F.2d 1079 (7th Cir. 1979))), and USM Corp. v. SPS Techs., Inc., 102 F.R.D. 167, 170-71, 225 USPQ 715, 717 (N.D. Ill. 1984) ("Notwithstanding Mercoid, the majority of courts, when faced with this issue, have held that antitrust claims are compulsory counterclaims under Rule 13(a) if the antitrust claim arises out of the same transaction or occurrence as the original claim. The Seventh Circuit has expressly refused to decide the issue." (citations omitted)).

eral Circuit law.[5] This conclusion applies equally to all antitrust claims premised on the bringing of a patent infringement suit. Therefore, Cygnus, 92 F.3d at 1161, 39 USPQ2d at 1672, Loctite, 781 F.2d at 875, 228 USPQ at 99, and Atari, 747 F.2d at 1438-40, 223 USPQ at 1086-87, are expressly overruled to the extent they hold otherwise. However, we will continue to apply the law of the appropriate regional circuit to issues involving other elements of antitrust law such as relevant market, market power, damages, etc., as those issues are not unique to patent law, which is subject to our exclusive jurisdiction. See, e.g., Virginia Panel Corp. v. MAC Panel Co., 133 F.3d 860, 872-73, 45 USPQ2d 1225, 1234-35 (Fed. Cir. 1997) (applying Fourth Circuit law on antitrust injury).

III.

A patentee who brings an infringement suit may be subject to antitrust liability for the anti-competitive effects of that suit if the alleged infringer (the antitrust plaintiff) proves (1) that the asserted patent was obtained through knowing and willful fraud within the meaning of Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp., 382 U.S. 172, 177, 147 USPQ2d 404, 407 (1965), or (2) that the infringement suit was "a mere sham to cover what is actually nothing more than an attempt to interfere directly with the business relationships of a competitor," Eastern R.R. Presidents Conference v. Noerr Motor Freight, Inc., 365 U.S. 127, 144 (1961); California Motor Transp. Co. v. Trucking Unlimited, 404 U.S. 508, 510 (1972) (holding that Noerr "governs the approach of citizens or groups of them . . . to courts, the third branch of

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5 Because precedent may not be changed by a panel, see South Corp. v. United States. 690 F.2d 1368, 1370 n.2, 215 USPQ 657, 655 n.2 (Fed. Cir. 1982) (in banc), the issue of "choice of circuit" law set forth in this Section B.II. has been considered and decided unanimously by an in banc court consisting of MAYER, Chief Judge, RICH, NEWMAN, MICHEL, PLAGER, LOURIE, CLEVENGER, RADER, SCHALL, BRYSON, and GAJARSA, Circuit Judges.

Government"). See Professional Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc., 508 U.S. 49, 62 n.6, 26 USPQ2d 1641, 1646-47 n.6 (1993) (PRE) (declining to decide "whether and, if so, to what extent Noerr permits the imposition of antitrust liability for a litigant's fraud or other misrepresentations").

In Walker Process, the Supreme Court held that in order "to strip [a patentee] of its exemption from the antitrust laws" because of its attempting to enforce its patent monopoly, an antitrust plaintiff is first required to prove that the patentee "obtained the patent by knowingly and willfully misrepresenting facts[6] to the [PTO]." 332 U.S. at 177, 147 USPQ2d at 407. The plaintiff in the patent infringement suit must also have been aware of the fraud when bringing suit. Id. at 177 & n.6, 147 USPQ2d at 407 & n.6. The Court cited prior decisions that involved the knowing and willful misrepresentation of specific facts to the Patent Office: Precision Instrument Manufacturing v. Automotive Maintenance Machinery Co., 324 U.S. 806, 65 USPQ 133 (1945) (misrepresenting that the inventor had conceived, disclosed, and reduced to practice the invention on certain dates); Hazel-Atlas Glass Co. v. Hartford-Empire Co., 322 U.S. 238, 645 USPQ 18 (1944) (misrepresenting that a widely known expert had authorized an article praising the invention); and Keystone Driller Co. v. General Excavator Co., 290 U.S. 240, 19 USPQ 228 (1933) (involving an agreement to suppress evidence in the course of litigation). These cases indicate the context in which the

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6 The alleged misrepresentation in that case involved the patentee's sworn statement "that it neither knew nor believed that its invention had been in public use in the United States more than one year prior to filing its patent application when, in fact, [it] was a party to prior use within such time." Walker Process, 382 U.S. at 174, 147 USPQ at 406. The PTO does not currently require inventors to file a sworn statement regarding such knowledge or belief. See 35 U.S.C § 115 (1994); 37 C.F.R. § 1.63 (1996).

Court established the knowing and willful misrepresentation test.

Justice Harlan, in a concurring opinion, emphasized that to "achiev[e] a suitable accommodation in this area between the differing policies of the patent and antitrust laws," a distinction must be maintained between patents procured by "deliberate fraud" and those rendered invalid or unenforceable for other reasons. Walker Process, 382 U.S. at 179-80, 147 USPQ at 408. He then stated:

> [T]o hold, as we do not, that private antitrust suits might also reach monopolies practiced under patents that for one reason or another may turn out to be voidable under one or more of the numerous technicalities attending the issuance of a patent, might well chill the disclosure of inventions through the obtaining of a patent because of fear of the vexations or punitive consequences of treble-damage suits. Hence, this private antitrust remedy should not be deemed available to reach [Sherman Act] § 2 monopolies carried on under a nonfraudulently procured patent.

Id. at 180, 147 USPQ at 408.

Consistent with the Supreme Court's analysis in Walker Process, as well as Justice Harlan's concurring opinion, we have distinguished "inequitable conduct" from Walker Process fraud, noting that inequitable conduct is a broader, more inclusive concept than the common law fraud needed to support a Walker Process counterclaim. See, e.g., Hewlett-Packard Co. v. Bausch & Lomb Inc., 882 F.2d 1556, 1563, 11 USPQ2d 1750, 1756 (Fed. Cir. 1989); FMC Corp. v. Manitowoc Co., 835 F.2d 1411, 1417-18, 5 USPQ2d 1112, 1117 (Fed. Cr. 1987); Argus Chem., 812 F.2d at 1384-85, 1 USPQ2d at 1973-74; J.P. Stevens & Co. v. Lex Tex Ltd., 747 F.2d 1553,1559, 223 USPQ 1089, 1092 (Fed. Cir. 1984) ("Conduct before the PTO that may render a patent unenforceable is broader than common law fraud."). Inequitable conduct in fact is a lesser offense than common law fraud, and

includes types of conduct less serious than "knowing and willful" fraud.

In Norton v. Curtiss, 433 F.2d 779, 792-94 & n.12, 167 USPQ 532, 543-45 & n.12 (CCPA 1970), our predecessor court explicitly distinguished inequitable conduct from "fraud," as that term was used by the Supreme Court in Walker Process. The court noted that

> the concept of "fraud" has most often been used by the courts, in general, to refer to a type of conduct so reprehensible that it could alone form the basis of an actionable wrong (e.g., the common law action for deceit.). . . . Because severe penalties are usually meted out to the party found guilty of such conduct, technical fraud[7] is generally held not to exist unless the following indispensable elements are found to be present: (1) a representation of a material fact, (2) the falsity of that representation, (3) the intent to deceive or, at least, a state of mind so reckless as to the consequences that it is held to be the equivalent of intent (scienter), (4) a justifiable reliance upon the misrepresentation by the party deceived which induces him to act thereon, and (5) injury to the party deceived as a result of his reliance on the misrepresentation. See, e.g., W. Prosser, Law of Torts, §§ 100-05 (3d ed. 1964); 37 C.J.S. Fraud § 3(1943).

Id. at 792-93, 167 USPQ at 543; see also J.P. Stevens, 747 F.2d at 1559, 223 USPO at 1092 (citing Norton). The court then contrasted such independently actionable common law fraud with lesser misconduct, including what we now refer to as inequitable conduct, which "fail[s], for one reason or another, to satisfy all the elements of the technical offense."[7]

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7 We understand from the enumeration of elements that the term "technical fraud" was used by the court to mean common law fraud.

Norton, 433 F.2d at 793, 167 USPQ at 543. Regarding such misconduct, "the courts appear to look at the equities of the particular case and determine whether the conduct before them . . . was still so reprehensible as to justify the court's refusing to enforce the rights of the party guilty of such conduct." Id.

Inequitable conduct is thus an equitable defense in a patent infringement action and serves as a shield, while a more serious finding of fraud potentially exposes a patentee to antitrust liability and thus serves as a sword. See Korody-Colver Corp v General Motors Corp 828 F.2d 1572,1578, 4 USPQ2d 1203, 1207 (Fed. Cir. 1987); see also Norton, 433 F.2d at 796, 167 USPQ at 546 ("Where fraud is committed, injury to the public through a weakening of the Patent System is manifest."). Antitrust liability can include treble damages. See 15 U.S.C. § 15(a) (1994). In contrast, the remedies for inequitable conduct, while serious enough, only include unenforceability of the affected patent or patents and possible attorney fees. See 35 U.S.C. §§ 252, 285 (1994). Simply put, Walker Process fraud is a more serious offense than inequitable conduct.

In this case, the jury was instructed that a finding of fraud could be premised on "a knowing, willful and intentional act, misrepresentation or omission before the [PTO]." This instruction was not inconsistent with various opinions of the courts stating that omissions, as well as misrepresentations, may in limited circumstances support a finding of Walker Process fraud. See, e.g., Rolite, Inc. v. Wheelabrator Envtl. Sys., Inc., 958 F. Supp. 992, 1006 (E.D. Pa. 1997) (finding an allegation of "fraud by omission" in a Walker Process claim sufficient to overcome defendant's motion to dismiss); United States v Ciba-Geigy Corp., 508 F. Supp. 1157, 1170, 211 USPQ 529, 542 (D.N.J. 1979) (stating, in the context of Walker Process: "A misrepresentation is material if the patent would not have issued 'but for' the omission"). We agree that if the evidence shows that the asserted patent was acquired by means of either a fraudulent misrepresentation or a fraudulent omission and that the party asserting the patent

was aware of the fraud when bringing suit, such conduct can expose a patentee to liability under the antitrust laws. We arrive at this conclusion because a fraudulent omission can be just as reprehensible as a fraudulent misrepresentation. In addition, of course, in order to find liability, the necessary additional elements of a violation of the antitrust laws must be established. See Walker Process, 382 U.S. at 178, 147 USPQ2d at 407.

Such a misrepresentation or omission must evidence a clear intent to deceive the examiner and thereby cause the PTO to grant an invalid patent. See id. at 794, [sic] 167 USPQ at 544 ("[T]he fact misrepresented must be 'the efficient, inducing, and proximate cause, or the determining ground' of the action taken in reliance thereon.") (quoting 37 C.J.S. Fraud § 18 (1943)). In contrast, a conclusion of inequitable conduct may be based on evidence of a lesser misrepresentation or an omission, such as omission of a reference that would merely have been considered important to the patentability of a claim by a reasonable examiner. See J.P. Stevens, 747 F.2d at 1559, 223 USPQ at 1092.[8] A finding of Walker Process fraud requires higher threshold showings of both intent and materiality than does a finding of inequitable conduct. Moreover, unlike a finding of inequitable conduct, see, e.g., Molins PLC v. Textron, Inc., 48 F.3d 1172, 1178-79, 33 USPQ2d 1823, 1826-27 (Fed. Cir. 1995), a finding of Walker Process fraud may not be based upon an equitable balancing of lesser degrees of materiality and intent. Rather, it must be based on independent and clear evidence of deceptive intent together with a clear showing of reliance, i.e., that the patent would not have issued but for the misrepresenta-

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8 We recognize that this criterion reflects an older PTO rule in effect at the time the instant patent was prosecuted and that the current PTO rule defines materiality differently. See Critikon, Inc. v. Balston Dickinson Vascular Access, Inc., 120 F.3d 1253, 1257, 43 USPQ2d 1666, 1669-70 (Fed. Cir. 1997) (quoting 37 C.F.R. § 1.56 (b)(2)(ii) (1996)).

tion or omission. Therefore, for an omission such as a failure to cite a piece of prior art to support a finding of Walker Process fraud, the withholding of the reference must show evidence of fraudulent intent. A mere failure to cite a reference to the PTO will not suffice.

IV.

The district court observed that the Supreme Court, in footnote six of its PRE opinion, "left unresolved the issue of how 'Noerr applies to the ex parte application process,' and in particular, how it applies to the Walker Process claim." 930 F. Supp. at 1253 (quoting James B. Kobak, Jr., Professional Real Estate Investors and the Future of Patent-Antitrust Litigation, 63 Antitrust L.J. 185, 186 (1994)). The court also accurately pointed out that we have twice declined to resolve this issue. See FilmTec Corp. v. Hydranautics, 67 F.3d 931, 939 n.2, 36 USPQ2d 1410, 1415 n.2 (Fed. Cir. 1995), cert. denied, 117 S. Ct. 62 (1996): Carroll Touch, Inc. v Electro Mechanical Sys., Inc., 15 F.3d 1573, 1583 n.10, 27 USPQ2d 1836,1845 n.10 (Fed. Cr. 1993). Therefore, after reviewing three opinions from the Ninth and District of Columbia Circuit Courts of Appeals, see Hydranautics v. FilmTec Corp., 70 F.3d 533, 537-38, 36 USPQ2d 1773, 1777 (9th Cir. 1995); Whelan v. Abell, 48 F.3d 1247, 1255 (D.C. Cir. 1995): Liberty Lake Invs., Inc. v. Magnuson, 12 F.3d 155, 158-60 (9th Cir. 1993), the district court made its own determination that PRE's two-part test for a sham is inapplicable to an antitrust claim based on the assertion of a patent obtained by knowing and willful fraud. See 930 F. Supp. at 1253. We do not agree with that determination. PRE and Walker Process provide alternative legal grounds on which a patentee may be stripped of its immunity from the antitrust laws; both legal theories may be applied to the same conduct. Moreover, we need not find a way to merge these decisions. Each provides its own basis for depriving a patent owner of immunity from the antitrust laws; either or both may be applicable to a particular party's conduct in obtaining and enforcing a patent. The Supreme Court saw no need to merge these separate lines of cases and neither do we.

Consequently, if the above-described elements of Walker Process fraud, as well as the other criteria for antitrust liability, are met, such liability can be imposed without the additional sham inquiry required under PRE. That is because Walker Process antitrust liability is based on the knowing assertion of a patent procured by fraud on the PTO, very specific conduct that is clearly reprehensible. On the other hand, irrespective of the patent applicant's conduct before the PTO, an antitrust claim can also be based on a PRE allegation that a suit is baseless; in order to prove that a suit was within Noerr's "sham" exception to immunity, an antitrust plaintiff must prove that the suit was both objectively baseless and subjectively motivated by a desire to impose collateral, anticompetitive injury rather than to obtain a justifiable legal remedy. PRE, 508 U.S. at 60-61, 26 USPQ2d at 1646. As the Supreme Court stated:

> First, the lawsuit must be objectively baseless in the sense that no reasonable litigant could realistically expect success on the merits. If an objective litigant could conclude that the suit is reasonably calculated to elicit a favorable outcome, the suit is immunized under Noerr, and an antitrust claim premised on the sham exception must fail. Only if challenged litigation is objectively meritless may a court examine the litigant's subjective motivation. Under this second part of our definition of sham, the court should focus on whether the baseless lawsuit conceals "an attempt to interfere directly with the business relationships of a competitor," through the "use [of] the governmental process-as opposed to the outcome of that process-as an anticompetitive weapon." . . . Of course, even a plaintiff who defeats the defendant's claim to Noerr immunity by demonstrating both the objective and the subjective components of a sham must still prove a substantive antitrust violation. Proof of a sham merely deprives the defendant of immunity': it does not relieve the plaintiff of the obligation to establish all other elements of his claim.

Id. (footnotes and internal citations omitted). Thus, under PRE, a sham suit must be both subjectively brought in bad faith and based on a theory of either infringement or validity that is objectively baseless. Accordingly, if a suit is not objectively baseless, an antitrust defendant's subjective motivation is immaterial. Id. In contrast with a Walker Process claim, a patentee's activities in procuring the patent are not necessarily at issue. It is the bringing of the lawsuit that is subjectively and objectively baseless that must be proved.

V.

As for the present case, we conclude that there exists substantial evidence upon which a reasonable fact finder could strip NP of its immunity from antitrust liability. In particular, there exists substantial evidence that the 1977 Book was fraudulently kept from the PTO during patent prosecution.[9] The jury could reasonably have found that the 1977 Book was fraudulently withheld and that it disclosed the claimed invention. First, the jury could reasonably have concluded that Branemark, through his Swedish patent agent, Barnieske, withheld the 1977 Book with the requisite intent to defraud the PTO. The initial disclosure to Barnieske, provided by Branemark's co-inventor, af Ekenstam, indicated that the studies described in the 1977 Book verified the utility of the claimed invention. While Barnieske did testify that he did not recall his thoughts during the prosecution of the patent and that he would have submitted the 1977 Book to the PTO if he had considered it relevant, the jury was free to disbelieve him. Barnieske could not explain, even in retrospect, why he deleted all reference to the 1977 Book. Importantly, the 1977

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9 Because we consider the conduct relating to the 1977 Book sufficient to uphold the jury's finding of fraud, we need not discuss 3I's allegations that Branemark fraudulently misrepresented the causal relationship between the claimed micropitted surface and osseointegration and fraudulently concealed the best mode of making and using the claimed invention from the PTO.

Book was thought by at least one inventor to be relevant, as evidenced by the initial disclosure to the patent agent, but it was inexplicably not later disclosed to the PTO. Also, as the author of the 1977 Book and an inventor, Branemark presumably knew of the book's relevance to the invention and could have directed Barnieske not to disclose the book to the PTO. Thus, the jury could properly have inferred that Branemark had the requisite intent to defraud the PTO based on his failure to disclose the reference to the PTO. Such a scheme to defraud is the type of conduct contemplated by Walker Process.

Second, substantial evidence upon which a reasonable jury could have relied also indicates that the 1977 Book was sufficiently material to justify a finding of fraud. 3I's expert witness, Dr. Donald Brunette, testified that the SEMs of the 1977 Book depict dental implants having all the elements of the claims asserted by NP. Specifically, he explained how he had determined that the SEMs depict a "biologically flawless material" suitable for use as a dental implant. He also explained how he determined that the depicted micropits have diameters within the claimed range of approximately 10 to 1000 nanometers. Even Branemark, in this deposition testimony, conceded that it would not have been difficult to calculate the size of the micropits depicted in the 1977 Book, given the magnification factors provided in the captions to the SEMs. Accordingly, a reasonable jury could have found, based on the unambiguous claim language, that the 1977 Book anticipated the patent and that the examiner would not have granted the patent if he had been aware of the 1977 Book.

Third, the record indicates that a reasonable jury could have found that NP brought suit against 3I with knowledge of the applicants' fraud. A reasonable jury could have found that two of NP's then-officers, Dr. Ralph Green, Jr. and Mr. Mats Nilsson, were aware of the fraud based on Green's testimony that Nilsson told him: "[I]f the Patent Office did not receive a copy of [the 1977 Book], and if that were true, then we would have a larger problem and that was fraud." Green's

testimony also indicates that NP was aware that the 1977 Book was highly material and, in fact, likely rendered the patent invalid. Green testified that he, Nilsson, and Mr. George Vande Sande obtained a legal opinion from NP's attorney, Mr. David Lindley, who indicated that if "we were to sue anyone on the patent we would lose in the first round. . . . [T]here was prior art, not the least of which was this textbook [the 1977 Book] that would invalidate the patent."

Regarding NP's motion for a new trial, we have concluded that the court's instructions to the jury regarding fraud, to which NP did not object, substantially comport with the law. Specifically, the court emphasized to the jury that to strip NP of its immunity from the antitrust laws, 3I "must prove that the '891 patent was fraudulently. . . obtained by clear and convincing evidence." The court also pointed out that only "knowing, willful and intentional acts, misrepresentations or omission" may support a finding of fraud and that the jury should approach such a finding with "great care." As to reliance, the court instructed the jury that "[m]ateriality is shown if but for the misrepresentation or omission the '891 patent would not have been issued." These instructions were not legally erroneous.

Because we conclude that the finding of Walker Process fraud was supported by substantial evidence and was based upon a jury instruction that was not legally erroneous or prejudicial, we affirm the denial of NP's motion for JMOL. NP was properly deprived of its immunity from the antitrust laws under Walker Process, and it could not have benefited from additional jury instructions regarding PRE or Noerr. The court's refusal to so instruct the jury therefore does not require a new trial.

We have also considered NP's alternative arguments in support of its motion for a new trial, including its assertions that the district court erred in permitting Green to testify, in prohibiting Dr. Hodosh and Messrs. Vande Sande and Martens from testifying, in allowing 3I to present a theory of joint venture liability to the jury, and in impugning the credibility of NP's arguments before the jury. We do not find these argu-

ments persuasive. The district court did not abuse its discretion or misapply the law of attorney-client privilege in making its evidentiary rulings, nor did it prejudice NP's substantive rights by allowing the jury to consider a joint venture theory of liability or by commenting on NP's arguments during the trial. Accordingly, the court did not abuse its discretion in denying NP's motion for a new trial.

CONCLUSION

The district court did not err in holding the '891 patent invalid as a matter of law at the close of NP's case-in-chief because NP itself introduced evidence that was fatal to the patent's validity. Likewise, the district court did not err in denying NP's motion for JMOL or a new trial on 3I's antitrust counterclaim. A reasonable jury, applying the correct law, could have found that the facts of this case were sufficient to constitute fraud within the meaning of Walker Process.

AFFIRMED

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

NOBELPHARMA AB,	)	
	)	
Plaintiff,	)	
	)	
v.	)	No. 91 C 4632
	)	
IMPLANT INNOVATIONS, INC.,	)	
	)	
	)	
Defendant.	)	
	)	

MEMORANDUM OPINION

On July 23, 1991, Nobelpharma Ab ("NP") sued Implant Innovations, Inc. ("3i"), alleging patent infringement, and 3i counter-claimed, alleging antitrust violations. Between March 14, 1994, and May 4, 1994, this Court held the trial, in which this Court granted 3i's motion for judgment as a matter of law on NP's patent claim, and the jury found for 3i on 3i's antitrust counter-claim. Between May 12, 1994, and January 27, 1995, this Court resolved the issue of inequitable conduct and entered final judgment. On February 16, 1995, NP moved for judgment as a matter of law or, in the alternative, for a new trial. For the reasons discussed below this Court denies NP's motion for judgment as a matter of law and denies its alternative motion for a new trial. This Court, as the parties, proceeds immediately to the analysis.

I. Analysis

A. Patent Claim

1. NP's Motion for a New Trial

a. Standard of Review

Fed. R. Civ. P. 50(a)(1) ("Rule 50(a)(l)") governs judgments as a matter of law, and it provides:

> If during a trial by jury a party has been fully heard on an issue and there is no legally sufficient evidentiary basis for a reasonable jury to find for that party on that issue, the court may determine the issue against that party and may grant a motion for judgment as a matter of law against that party with respect to a claim or defense that cannot under the controlling law be maintained or defeated without a favorable finding on that issue.

"In granting judgment as a matter of law after presentation of the plaintiff's case, the plaintiff's facts must be accepted as established and all reasonable inferences from those facts must be drawn in the plaintiff's favor." Allied Colloids, Inc. v. Am. Cyanamid Co., 64 F.3d 1570, 1573 (Fed. Cir. 1995); see Burroughs Wellcome Co. v. Barr Labs. Inc., 40 F.3d 1223, 1227 (Fed. Cir. 1994), cert. denied, 116 S. Ct. 771 (1996); see generally, Anderson v. Liberty Lobby, Inc., 477 U.S. 242 (1986).

b. Invalidity

1) Best Mode

NP argues that it is entitled to a new trial on its infringement claim because this Court "erred in granting 3i's motion for judgment as a matter of law on the issue[] of best mode . . . at the close of Nobelpharma's case in chief." PI's Mot. at 2. NP argues that we "granted 3i's motion because Dr. Branemark testified that the technique used to obtain a micropitted surface on a 'Nobel product' was not described in the '891 patent specification." Id. Yet "there is no evidence in the record that this technique was known at the time the

patent application was filed, nor is there any evidence of concealing a technique better than the one described in the patent application." Id. So "a reasonable inference can, and must, be drawn that Dr. Branemark's testimony concerning the technique used to form the micropitted surface on a 'Nobel product' related to developments subsequent to the filing date of the patent application." Id. at 3.

3i responds that NP is not entitled to a new trial because Branemark "testified that the manufacturing details to produce the claimed micropitted surface were secret and not disclosed." Def.'s Resp. at 1. 3i argues that Branemark's testimony was "unequivocal and dispositive," and 3i cites some of that testimony from trial transcript pages 1621-33, which testimony this Court reproduces below.

The first set of passages, bracketed below, concern the patent, column 7, lines 31 and following, which address micropitting.

> Q. How do you get the micropitted surface described in Plaintiff's Trial Exhibit 2 on the surface of the Nobel product?
>
> A. Using a [1] special manufacturing procedure which requires very special circumstances. There was a delegation from Japan asking the same question, and I told them that you've got to [2] follow the recipe, which I unfortunately cannot disclose.

Tr. at 1629.

The second set of passages, bracketed below, concern the patent, column 4, lines 8 and following, which address micropitting.

> Q Is that method of making the micropitted surface disclosed . . . in Plaintiff's Trial Exhibit 2?
>
> A. Yes. Yes, that's part of it, and that is what the Japanese tried to follow, but [1] there were some minor details that were not included here and which proved to be quite important.

Q. So there are some [2] details in the manufacturing process that are not stated in this patent at this point and which are important to making the kind of micropitted surface the patent is intended to get, right?

A. I guess it might be like that, yes.

Tr. at 1629-30.

The third set of passages, bracketed below, concern the patent, column 4, lines 10 and following, which address micropitting.

Q. Can you obtain a micropitted surface simply by cutting a piece of titanium at a speed less than 20 meters per minute?

A. [1] If you are lucky.

Q. You may get that result and you may not, is that it?

A. Yes. That was a problem, you see.

Q. What factors can cause you to fail to get micropitting even though you were cutting the metal at less than 20 meters per minute?

A. In fact, [2] any of the small detailed recipes that I discussed before but did not specify.

Tr. at 1631-32.

The fourth passage purportedly concerns the standardized procedures for making the implants. Although 3i cites several pages of transcript, only two of the pages concern standardized procedures.

Q. Actually, my question went to the characteristics of the titanium metal.

A. Yes, yes. Well, I don't know. I guess it was intended to be included in the biologically flawless material, but I don't know. The requisite, of course, is that the bulk material should provide this final result of the surface.

Q. What year did the standardized procedure you just referred to come into being?

A. I don't remember the years now, but it's in the different reports and some of them are quite complicated when it comes to figures, but there was a development period from '65, introductory period from '65 to '71 -- through '71, I think. So from '72 the clinical procedure with healing time, et cetera, was more standardized.

Q So in what year did the standardized procedure come into being?

A. I guess it was in 1972.

Tr. at 1632-33.

Title 35 U.S.C. § 112 ("§ 112") governs the best mode requirement, and, in relevant part, it provides: "The specification . . . shall set forth the best mode contemplated by the inventor of carrying out his invention." See Chemcast Corp. v. Arco Indus. Corp., 913 F.2d 923, 926 (Fed. Cir. 1990). "The purpose of the best mode requirement is to 'restrain inventors from applying for patents while at the same time concealing from the public preferred embodiments of the invention which they have in fact conceived.'" Transco Prod., Inc. v. Performance Contracting, Inc., 38 F.3d 551, 560 (Fed. Cir. 1994), cert. denied, 115 S. Ct. 1102 (1995), (quoting In re Gay, 309 F.2d 769, 772 (CCPA 1962)). "A holding of invalidity for failure to disclose best mode requires clear and convincing evidence that the inventor both knew of and concealed a better mode of carrying out the claimed invention than was set forth in the specification." Id. (citing Scripps Clinic & Research Foundation V. Genentech, Inc., 927 F.2d 1565, 1578 (Fed. Cir. 1991)).

In Transco, the court followed the Chemcast court's description of the proper best mode analysis, which has two steps. "The first [step], which is wholly subjective, involves determining whether the inventor knew of a mode of practicing the claimed invention that he considered to be better than

any other at the time he filed his application." Id. at 560. "If the inventor contemplated such a preferred mode, the second step is to compare what he knew with what he disclosed to determine whether the disclosure is adequate to enable one skilled in the art to practice the best mode." Id. "The second step, which involves assessing the adequacy of the disclosure, is largely an objective inquiry that depends upon the scope of the claimed invention and the level of skill in the art." Id.

This Court finds NP's argument unpersuasive. The testimony reproduced above demonstrates that when Branemark filed his patent application, he contemplated a best mode of practicing his invention, but his disclosures were inadequate to enable one skilled in the art to practice that best mode. This Court notes, however, that its finding excludes the testimony purportedly concerning standardized procedures, which 3i misinterprets. In any event, as this Court stated at trial, Branemark "did say that the method of making the implant micropits was a secret not disclosed in the patent." Tr. at 2292. As this Court further stated, "Branemark said important details were not produced. The sentence is powerful, unequivocal, unambiguous, and devastating to the plaintiff's case." Tr. at 2295. This Court believed it then, and this Court believes it now. And in light of it, this Court did not err when it granted 3i's motion for judgment as a matter of law, even though the standard of review of review [sic] is high and patents are presumed valid. Therefore, NP is not entitled to a new trial on its patent claim.

2) Other Grounds

This Court does not need to reach further, but it does on one issue, whether 3i can raise new grounds to support its motion for judgment as a matter of law. This Court reaches further because both parties raise new grounds at various points.

At this point, 3i argues that this Court's "decision at the close of Nobelpharma's case-in-chief declaring the '891 patent to be invalid is also supported on [several] alternate ground[s]" Def.'s Resp. at 3. 3i further argues that it "may

rely on any grounds which support [our] decision." Id. NP responds that "3i's attempt to buttress the grant of the JMOL with three theories not raised in its original motion should be rejected as contrary to law." Pl.'s Rep. at 2.

3i brought its motion pursuant to Rule 50(a), which, in relevant part, provides that the motion "may be made at any time before submission of the case to the jury. Such a motion shall specify the judgment sought and the law and facts on which the moving party is entitled to judgment." Rule 50(a)(2). "Failure to state the grounds or the motion with specificity may provide grounds for denying the motion. But the requirement is not a technical one." 5A James Moore, Moore's Federal Practice ¶ 50.04 (2d ed. 1995). "Its purposes are twofold: (1) to assure that the trial court has an adequate basis for its decision; and (2) to afford the adverse party the opportunity to correct any possible infirmities in the proof presented. Id.; see McKinnon v. City of Berwyn, 750 F.2d 1383, 1388-89 (7th Cir. 1984).

This Court finds 3i's argument unpersuasive. If 3i's new grounds supplement its Rule 50(a) motion, those grounds are improper for two reasons. First, they are untimely because 3i did not raise them before submission of the case to the jury. Second, and this is likely related to the first reason, they are contrary to the motion's purpose because they come so late that NP does not have the opportunity to correct any possible infirmities in the proof. If 3i's new grounds constructively amount to making a new motion under Rule 50(b), they are also improper, this time because this Court can grant a post-trial motion for judgment only on grounds advanced in the pre-verdict motion. 5A Moore's Federal Practice ¶ 50.08; Fed. R. Civ. P. 50(b) advisory committee's note to the 1991 Amendment; see Coleman v. Lane, 1995 WL 170025, *2 (N.D. Ill. April 7, 1995), vacated on other grounds, 1996 WL 167044 (N.D. Ill. Apr. 5, 1996).

3i cites to contrary authority, Data Cash Systems, Inc. v. JS&A Group, Inc., 628 F.2d 1038 (7th Cir. 1980), which wrote that the "prevailing party in the lower court may rely on any ground that supports the decision." Id. at 1041; cf. Creek

v. Village of Westhaven, Slip. Op. No. 95-1465, at 8 (7th Cir. Mar. 19, 1996) (writing that the "defendants argue as is their right that there are alternative grounds, grounds not reached by the district judge but not waived and therefore available to support the judgment as they are good grounds"). 3i's cite to Data Cash is inapposite because it concerns appellate review, and this Court is, of course, not an appellate court. Therefore, 3i can raise no new grounds to support its motion.

This Court denies NP's motion for a new trial on its patent claim.

B. Antitrust Counterclaim

1. NP's Motion for Judgment as a Matter of Law

a. Standard of Review

In Deimer v. Cincinnati Sub-Zero Prods., Inc., 58 F.3d 341 (7th Cir. 1995), the Seventh Circuit expressed the standard of review governing "the adjudication of a motion for a judgment as a matter of law." Id. at 343. The court wrote:

> If reasonable persons could not find that the evidence justifies a decision for a party on each essential element, the court should grant judgment as a matter of law—before trial under rule 56, later under rule 50, and use the same federal standard each time. By linking the standard for summary judgment to the standard for overturning a verdict, Anderson and Celotex leave no other option. We now adopt the federal reasonable person standard across the board: pre-trial, mid-trial, post-trial, and on appeal, for evaluating both the merits and the quantum of relief.

Id. (quoting Mayer v. Gary Partners & Co., 29 F.3d 330, 335 (7th Cir. 1994). This Court "must view the evidence in the light most favorable to the nonmoving party and ascertain whether there exists 'any evidence upon which a jury could reach a verdict for the party producing it, upon whom the onus of proof is imposed.'" Id. (quoting Fulk v. Ill. Cent. R.R. Co., 22 F.3d 120, 124 (7th Cir.), cert. denied, 115 S. Ct. 193 (1994)).

b. Sufficiency of the Evidence on Monopolization

1) Evidence of the Relevant Market

NP argues that 3i introduced insufficient evidence "to support the jury's finding that 'non-coated, screw-type machined titanium dental implants which have not been acid-etched' is a relevant market." Pl.'s Mot. at 5. NP argues that Professor Topel, 3i's economist who provided the definition of the market, included 3i's product in the market but excluded Core-Vent's "on the basis that customers would switch from [NP]'s to 3i's, but not to Core-Vent's." Id. at 6. NP argues that Topel's basis was "fundamentally flawed" because, during the 1992 FDA ban, 3i and Core-Vent gained additional implant sales. Id. Moreover, NP argues that "the evidence demonstrates that sellers of different styles of implants compete head-to-head for sales and monitor each others' prices; that doctors switch from one system to another; and the narrowest market recognized in the dental implant field . . . is endosseous root-form dental implants." Id. (citing Pl.'s Ex. 998).

3i responds that it introduced sufficient evidence to support the jury's finding on the relevant market. 3i argues that Topel's definition of the relevant market, and his basis for that definition, are sound. According to 3i, the screw implants and the plasma spray implants "are simply not substitutes," and doctors do not often switch. Def.'s Resp. at 20. "When 3i is out of the [$185] plasma product, the customers who could buy the [$145] screw machined implant . . . refused to do so." Id. "[W]hen [NP] was closed down by the FDA, the sales of 3i's machine titanium screw implant increased but there was no effect on the plasma product." Id. Similarly, during the close down, the sales of Core-Vent's $40 acid-etched product, which is supposed to mimic NP's screw implant, did not improve. So 3i argues that the various implant products do not compete, and "changes in the price of one of these products have no effect on the other." Id. at 19.

Certain claims of monopolization, such as the claims here, "require the trier of fact to delineate the 'relevant market.' Fishman v. Estate of Wirtz, 807 F.2d 520, 531 (7th Cir. 1996) [sic]. "A relevant market is comprised of those 'commodities reasonably interchangeable by consumers for the same purposes. . . . '" Id. (quoting U.S. v. E.I. du Pont de Nemours & Co., 351 U.S. 377, 395 (1956)). "In making this determination, the trier must decide whether the product is unique or has close substitutes, as to which there are substantial cross-elasticities of demand." Id.; see Herbert Hovenkamp, Market Power and Market Definition, § 3.2 (1994) (writing that "[a] relevant market is the smallest grouping of sales for which the elasticity of demand and supply are sufficiently low that a firm with 100% of that grouping could profitably reduce output and increase price substantially above marginal cost"). "Price, use and qualities must be considered in determining whether products are reasonably interchangeable." G. Heileman Brewing Co. v. Anheuser-Busch, Inc., 676 F. Supp. 1436, 1475 (E.D. Wis. 1987), aff'd, 873 F.2d 985 (7th Cir. 1989) (citing E.I. du Pont, 351 U.S. at 396). This statement of the law is substantially similar to the one with which this Court charged the jury, and the parties do not contest it.

This Court finds NP's insufficiency of the evidence argument unpersuasive. First, Topel's basis for his definition was sound. NP's argument about the flaw derives from its skewed reading of the record. For example, 3i gained additional implant sales, but they were for screwed implants, not plasma implants, which result is consistent with Topel's testimony. Tr. at 3107. Also, Core-Vent gained additional implant sales, but those sales were insignificant, which result again is consistent with Topel's testimony. Tr. at 3222. Similarly, NP's other points reflect skewed readings of the record. There was testimony that the different styles of implants did not compete head-to-head for sales. Tr. at, e.g., 4787. There was testimony that doctors did not switch from one system to the other. Tr. at 3104. And, contrary to NP's argument, Plaintiff's Exhibit 998 does not state that it expresses the "narrowest market." Therefore, there was sufficient evidence to support 3i's definition of the relevant mar-

ket. Likely realizing this, NP does not defend its argument on this point in its reply brief.

2) Noerr-Pennington and Walker Process

NP argues that it is entitled to Noerr-Pennington immunity from 3i's antitrust counterclaim. 3i responds that it may proceed with its Walker Process claim without regard to the Noerr-Pennington doctrine or, in the alternative, that it may take advantage of the doctrine's sham litigation exception.

The Noerr-Pennington doctrine derives from the holdings of two cases that, not surprisingly, included parties with the names Noerr and Pennington. In E. R.R. Presidents Conference v. Noerr Motor Freight, Inc., 365 U.S. 127 (1960), the Court held that "the Sherman Act does not prohibit two or more persons from associating together in an attempt to persuade the legislature or the executive to take particular action with respect to a law that would produce a restraint or a monopoly." Id. at 136. In United Mine Workers of Am. v. Pennington, 381 U.S. 657 (1965), the Court confirmed that "Noerr shields from the Sherman Act a concerted effort to influence public officials regardless of intent or purpose." Id. at 670. And in Cal. Motor Transport Co. v. Trucking Unltd., 404 U.S. 508 (1971), the Court expanded the Noerr-Pennington doctrine, writing that "[t]he same philosophy governs the approach of citizens or groups of them to administrative agencies (which are both creatures of the legislature, and arms of the executive) and to courts, the third branch of Government." Id. at 510. "The right to access to the courts is indeed but one aspect of the right to petition." Id.

"Noerr, however, withheld immunity from 'sham' activities because 'application of the Sherman Act would be justified' when petitioning activity, 'ostensibly directed toward influencing governmental action, is a mere sham to cover . . . an attempt to interfere directly with the business relationships of a competitor.'" Professional Real Estate Investors ("PRE"), Inc. v. Columbia Pictures Indus., Inc., 113 S. Ct. 1920, 1926 (1993). In PRE, the Court outlined a two-part definition for sham litigation:

> First the lawsuit must be objectively baseless in the sense that no reasonable litigant could realistically expect success on the merits. If an objective litigant could conclude that the suit is reasonably calculated to elicit a favorable outcome, the suit is immunized under Noerr, and an antitrust claim premised on the sham exception must fail. Only if the challenged litigation is objectively meritless may a court examine the litigant's subjective motivation. Under this second part of our definition of sham, the court should focus on whether the baseless lawsuit conceals "an attempt to interfere directly with the business relationships of a competitor."

Id. at 1928 (quoting Noerr, 365 U.S. at 144).

On the other hand, in Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp., 382 U.S. 172 (1965), the Court "concluded that the enforcement of a patent procured by fraud on the Patent Office may be violative of § 2 of the Sherman Act provided the other elements necessary to a § 2 case are present." Id. at 174. The Court noted that its "conclusion applies with equal force to an assignee who maintains and enforces the patent with knowledge of the patent's infirmity." Id. at 177 n.5; see Argus Chemical Corp. v. Fibre Glass-Evercoat Co., Inc., 812 F.2d 1381 (Fed. Cir. 1987). The Court, however, limited its conclusion somewhat, writing that "[i]t must be remembered that we deal only with a special class of patents, i.e., those procured by intentional fraud." Id. at 176. Justice Harlan elaborated on the Court's limitation; he wrote that "a private cause of action would not be made out if the plaintiff: (1) showed no more than invalidity of the patent arising . . . [from] factors sometimes compendiously referred to as 'technical fraud.'" Id. at 179 (Harlan, J., concurring).

The Court handed down Walker Process about six months after it handed down Pennington, but Walker Process did not mention Noerr or Pennington. Apparently, the Court believed that there was no necessary or inherent connection between the cases. Subsequent courts followed that view, and "[s]ince

its creation, the Walker Process antitrust claim has always seemed to exist in a sort of patent-antitrust eddy of its own outside of the mainstream of the Noerr line of cases." James B. Kobak, Jr., Professional Real Estate Investors and the Future of Patent-Antitrust Litigation: Walker Process and Handgards Meet Noerr-Pennington, 63 Antitrust L.J. 185, 193 (1994).

In PRE, the Court unsettled that view with its now in/famous footnote six. In its opinion's section III, the Court outlined its two-part definition of sham litigation. At the end of the section, the Court devoted a paragraph to defining the word sham through its opposite, the word genuine. The Court found that the word genuine has two senses, an objective and a subjective, and it concluded that "[t]o be a sham, therefore, litigation must fail to be 'genuine' in both senses of the word." 113 S. Ct. at 1229. Then the Court dropped the footnote, which provides:

> In surveying the 'forms of illegal and reprehensible practice which may corrupt the administrative or judicial processes and which may result in antitrust violations,' we have noted that 'unethical conduct in the setting of the adjudicatory process often results in sanctions' and that '[m]isrepresentations, condoned in the political arena, are not immunized when used in the adjudicatory process.' [quoting Cal. Motor Transport, 404 U.S. at 512-13]. We need not decide here whether and, if so, to what extent Noerr permits the imposition of antitrust liability for a litigant's fraud or other misrepresentations. Cf. . . . Walker Process, 382 U.S. [at 176-177]; id., at 179-180 . . . (Harlan, J. concurring).

"Until PRE, the Supreme Court had never addressed how Noerr immunity or its limited sham exception applied to efforts to secure or enforce intellectual property rights." 63 Antitrust L.J. at 186. Still, PRE left unresolved the issue of how "Noerr applies to the ex parte application process,"

and in particular, how it applies to the Walker Process claim. Id.

The Federal Circuit has twice acknowledged the lack of a resolution, yet both times it has failed to remedy the situation. First, in Carroll Touch, Inc. v. Electro Mechanical Sys., Inc., 15 F.3d 1573 (Fed. Cir. 1993), the court found that, because the defendant "failed to pierce [the plaintiff's] Noerr immunity with proof that the infringement action was objectively baseless or frivolous, [it] need not consider [the plaintiff's] subjective motivations in bringing the suit." Id. at 1583. In a footnote, the court wrote that it "need not decide the applicability of Noerr immunity to a litigant who sues on a patent procured by fraud, [citing Walker Process], because that issue is not raised here." Id. at 1583 n.10.

And second, in Filmtec Corp v. Hydranautics, 67 F.3d 931 (Fed. Cir. 1995), the court found that the plaintiff's patent infringement suit was not objectively baseless and it affirmed the district court's denial of the defendant's motion to amend its answer because, "in view of all that has transpired in the case," amending the answer "would be a futile act." Id. at 939. Again in a footnote, the court wrote that, "[i]n light of our holding that Filmtec's patent infringement suit was not objectively baseless, we need not decide whether Filmtec's suit was in bad faith or otherwise motivated by anticompetitive intent." Id. at 939 n.2. The court continued: "'Nor need we decide whether Noerr-Pennington immunity is vitiated by fraud on the patent office. . . . Thus, we again avoid determining what effect PRE has had on Walker Process and its progeny." Id.

This Court could interpret Filmtec as indirectly holding that the Noerr-Pennington analysis subsumes the Walker Process analysis. The Filmtec court engaged in a Noerr-Pennington analysis before reaching the Walker Process analysis. Moreover, the court wrote that its holding concerning the Noerr-Pennington analysis' [sic] exception's first prong, that the suit was not objectively baseless, made it unnecessary for it to engage in the Walker Process analysis.

This Court, however, does not interpret Filmtec as intending such an indirect holding because such an interpretation would be over-reaching. In Filmtec, the court wrote that it avoided "determining what effect PRE has had on Walker Process and its progeny." 67 F.3d at 939 n.2. So if this Court interpreted Filmtec as determining the effect, meaning interpreted it as intending the indirect holding, this Court would run afoul of the Filmtec court's express language, something this Court has no authority or desire to do.

This Court also does not interpret Filmtec as intending such an indirect holding because such an interpretation would be incorrect in light of rulings from other circuit courts. In Liberty Lake Investments, Inc. v. Magnuson, 12 F.3d 155 (9th Cir. 1993), cert. denied, 115 S. Ct. 77 (1994), the court explained that, "[i]n a case involving a fraudulently-obtained patent, that which immunizes the predatory behavior from antitrust liability (the patent) is, in effect, a nullity because of the underlying fraud." Id. at 159. And the court wrote in dictum that "[r]ead in context with the entire [PRE] opinion, footnote 6 does not obviate application of the Court's two-part test for determining sham litigation in the absence of proof that a party's knowing fraud upon, or its intentional misrepresentations to, the court deprive the litigation of its legitimacy." Id. In Hydranautics v. Filmtec Corp., 70 F.3d 535 (9th Cir. 1995), the court was "faced with deciding whether the dictum in Liberty Lake is good law, and [the court] conclude[d] that it is, at least where fraud is intentional, not 'technical fraud.'" Id. at 538.

Further, in Whelan v. Abell, 48 F.3d 1247 (D.C. Cir. 1995), the court explained that "[h]owever broad the First Amendment right to petition may be, it cannot be stretched to cover petitions based on known falsehoods." Id. at 1255. "Attempts to influence governmental action through overtly corrupt conduct, such as bribes (in any context) and misrepresentation (in the adjudicatory process), are not normal and legitimate exercises of the right to petition, and activities of this sort have been beyond the protection of Noerr." Id. (quoting Fed. Prescription Serv., Inc. v. Am. Pharmaceutical

Ass'n, 663 F.2d 253, 263 (D.C. Cir. 1981), cert. denied, 455 U.S. 928 (1982). Finally, the court cited with approval the Liberty Lake court's interpretation of the PRE court's footnote 6. See Id.

Further still, although Kobak cautions that "[n]othing in PRE's footnote 6 or anywhere else guarantees that the Noerr world and Walker Process world will forever remain parallel universes," he provides additional, sound explanations for their remaining parallel. 63 Antitrust L.J. at 209.

> To be sure, a distinction might exist for Noerr purposes between stretching the truth or improperly influencing a policy maker on the one hand and, on the other, doing the same thing to a more ministerial official whose function is to apply policy set by others (as embodied in the patent law) to specific facts in ex parte proceedings. In the first case, as we have already observed with respect to litigation, inputs are available from many sources, and we want to encourage access and advocacy; in the second case, we encourage accuracy and deliberately limit access. Furthermore, in a legislative or policy context, it may often prove difficult to determine whether the decision would have come out the other way absent a lie or a bribe. This problem is likely to be far less acute in the case of ex parte patent examinations....

Id. On the other hand, Kobak noted that "Noerr has been applied in many contexts in the thirty years since Walker Process, and it does not take great feats of imagination to characterize an application for a patent as a petition to the government or the prosecution of a patent as an effort to pursue legitimate channels of government, however illegitimate the methods employed." Id. Yet on those points, this Court believes that the D.C. Circuit's arguments prevail. See Whelan, 48 F.3d at 1255.

Therefore, given the lack of guidance from the Supreme Court and the Federal Circuit, this Court turns to the Ninth and D.C. Circuits for their persuasive resolutions of the issue

of whether the Noerr-Pennington doctrine has overtaken the Walker Process claim. This Court, as the Ninth and D.C. Circuits, holds that PRE's "two-part 'sham' test [is] inapplicable where there was 'proof that a party's knowing fraud upon, or its intentional misrepresentations to, the court deprive the [prior] litigation of its legitimacy." Id. (quoting Liberty Lake, 12 F.3d at 159). Moreover, as in Walker Process, paraphrased, "[t]his [holding] applies with equal force to an assignee who maintains and enforces the patent with knowledge of the patent's [fraudulent derivation]." 362 U.S. at 177 n.5. Below, this Court reviews the evidence and consider [sic] whether there was sufficient proof of NP's knowing fraud.

3) Evidence of the Fraud

NP argues that 3i introduced insufficient evidence on four grounds for a jury to find that NP obtained the '891 patent by fraud. Pl's Mot. at 6-8. This Court needs to reach only the first ground, which concerns prior art. Specifically, NP argues that "3i did not introduce sufficient evidence that the invention claimed in the '891 patent was anticipated or obvious in view of the prior art not submitted to the Patent Office." Id. at 7. 3i "failed to introduce any evidence that the inventors, their agents, or their attorneys knew of the materiality of the prior art." Id. Moreover, 3I "failed to introduce any evidence that one of ordinary skill in the art at the relevant time would have interpreted the prior art in the same manner as 3i's expert." Id. (NP also argues that this Court erred by failing to instruct "the jury as to the claim interpretation resulting in the directed verdict of non-infringement." Id. at 7 n.3. This Court discusses that argument in Section I.B.2.g.

3i responds that it introduced sufficient evidence on anticipation or obviousness. 3i argues that "Branemark . . . provided Barnieske with a full set of documents, including Dr. Branemark's titanium implant patent obtained prior to 1977 (AGA) and the 1977 book," which prior art anticipated the patent. Def.'s Resp. at 24. Moreover, 3i argues that Barnieske knew that the prior art was material. He received a draft Swedish patent application that identifies the 1977 Book at least three times as prior art, yet, using that draft as the basis

for the application to the U.S. Patent Office, he deleted the references to the Book, concealing them from the Patent Office. See id. at 24-25. Given these and other facts, Mr. Lipman, one of 3i's experts and a former employee of the Patent Office's legal department, concluded that "there were material misrepresentations to the Patent...Office with respect to the prosecution of the '891 patent." Tr. at 2599.

The legal inquiry follows from Walker Process, in which the Court "held that maintenance and enforcement of a patent procured by knowing and willful fraud may meet the intent and conduct elements of violation of the Sherman Act. . . ." Abbott Labs. v. Brennan, 952 F.2d 1346, 1355 (Fed. Cir. 1991), cert. denied, 505 U.S. 1205 (1992); see Hewlett-Packard Co. v. Bausch & Lomb, Inc., 882 F.2d 1556, 1563 (Fed. Cir. 1989), cert. denied, 493 U.S. 1076 (1990); Argus Chemical, 812 F.2d at 1384.

This Court finds NP's argument unpersuasive. 3i introduced sufficient evidence for a reasonable jury to find that, when NP filed its application with the U.S. Patent Office, it procured its patent with knowing and willful fraud. The parties continue to debate Barnieske's awareness of the materiality of the 1977 Book, with much of their debate centering on his testimony that, if Branemark told him that Branemark published in 1977 an article in which there appeared micrographs of the same implant surfaces for which he asked Barnieske to prepare a patent application, Barnieske would not have prepared, or filed, such an application. Tr. at 2710. Given the rest of the testimony, however, and particularly given Barnieske's removal of references to the 1977 Book in the application to the U.S. Patent Office and Lipman's comments related to the removal, the jury had sufficient basis to find that, at the time, Branemark and Barnieske, on behalf of NP, knew what they were doing, and what they were doing was fraudulent.

4) Evidence of NP's Knowledge of the Fraud

NP argues that "3i failed to prove that [NP] had actual knowledge of this alleged fraud at the time it commenced this litigation." Pl.'s Mot. at 8. NP argues that 3i "sought to establish knowledge" in two ways. Id. First, 3i sought to establish it "based on an alleged joint venture relationship between the inventor (Professor Branemark) and [NP]." Id. "However, there is no evidence of an agreement between Branemark and [NP] to share profits and losses, a requisite element of a joint venture." Id. at 9. (This is a requisite element under the Illinois law of joint venture [sic]. NP argues that this Court erred by instructing the jury using Illinois law, that instead this Court should have instructed the jury using Swedish law. This Court discusses that argument in Section I.B.2.g.

3i responds with a three-part argument. First, 3i argues that NP waived its argument. "To begin with, the 'fatal fact' that this record discloses is that the motion for a directed verdict did not include one line or suggestion that the evidence was insufficient to establish agency or a joint venture." Def.'s Sur-Reb. Br. at 31-32. Second, 3i argues that, in any event, NP brought an objectively baseless suit. "[T]he fraudulent procurement of a patent—and the antitrust violation which may follow—applies with equal force to an assignee who maintains and enforces the patent with knowledge of the patent's infirmity." Id. at 33 (internal quotations omitted). And third, 3i argues that the record contains sufficient evidence for the jury to find that there existed a joint venture relationship. In particular, "there are . . . provisions relating to the sharing of profits (in the form of royalty payments)." Id. at 37.

This Court rejects 3i's first argument, which concerns waiver. When NP moved for a directed verdict, it stated that "3i has presented no evidence establishing that [NP] participated in the procurement of the '891 patent." Tr. at 3547. Now 3i argues that no one ever argued that NP procured the '891 patent; only that NP's joint venturer or agent procured it.

Yet if 3i's joint venturer or agent argument succeeded, the practical, or legal, consequence would be that NP participated, albeit by proxy, in the procurement. So 3i's interpretation of NP's statement is overly cramped and limited.

This Court also rejects 3i's second argument, which concerns NP's bringing an objectively baseless suit. This Court foreclosed that argument when this Court denied 3i's motion for summary judgment. "An action that is well enough grounded, factually and legally, to survive a motion for summary judgment is sufficiently meritorious to lead a reasonable litigant to conclude that they had some chance of success on the merits." Harris Custom Builders, Inc. v. Hoffmeyer, 834 F. Supp. 256, 261-62 (N.D. Ill. 1993). "PRE's objective test also means, in theory at least, that baseless litigation claims can often be resolved as a matter of law on motions to dismiss or for summary judgment (the posture of PRE itself). . . . Most of the reported decisions involving Walker Process or bad faith litigation claims since PRE have done just that." 63 Antitrust L.J. at 201.

This Court turns to 3i's third argument, which concerns joint venture. The law of joint venture in Illinois is well settled. "A joint venture is an association of two or more persons to carry out a single enterprise for profit." Dawdy v. Sample, 178 Ill. App. 3d 118, 126, 532 N.E.2d 1128 (4th Dist.), appeal denied, 125 Ill.2d 564, 537 N.E.2d 808 (1989). "The existence of a joint venture is inferred from the facts and circumstances with the intent of the parties being the most significant element." Id. "Generally, the following elements are determinative of such an intent: (1) an express or implied agreement to carry on some enterprise; (2) a manifestation of intent by the parties to be associated as joint venturers; (3) a joint interest as shown by the contribution of property, financial resources, effort, skill, or knowledge; (4) a degree of joint proprietorship or mutual right to the exercise of control over the enterprise; and (5) provision for joint sharing of profits and losses." Id.

In this case, 3i argues that its provision to make royalty payments is sufficient to satisfy the fifth element. 3i's argu-

ment finds little support in the common law. For example, there is Computer Teaching Corp. v. Courseware Applications, Inc., 191 Ill. App. 3d 203, 547 N.E.2d 718 (4th Dist. 1989). There, the parties "entered a joint venture to develop computer programs. The[y] later signed a royalty agreement which terminated the joint venture. This agreement provided defendant would assign all of its rights in the jointly developed programs to plaintiff in return for royalty payments to be paid by plaintiff upon marketing the programs." Id. at 204; cf. Def.'s Sur-Reb. Br. at 36-37. Similarly, there is Grip-Pak, Inc. v. Ill. Tool Works, Inc., 651 F. Supp. 1482 (N.D. Ill. 1986). There, Coors declined to enter into a joint venture with Grip-Pak, fearing "the risk of liability for any patent infringement." Id. at 1495. "Since Grip-Pak had no money to absorb such a judgment or to fund the development, Coors said it "would feel more comfortable owning outright the technology for Grip-Pak II[, so it] offered Grip-Pak $200,000 plus a royalty. . . ." Id. And similarly, there is Nature House, Inc. v. Sloan, 515 F. Supp. 398 (N.D. Ill. 1981), aff'd, 676 F.2d 700 (7th Cir. 1982). There, Nature House attempted to characterize its relationship with Sloan as a joint venture. The court, however, wrote:

> The relationship has none of the characteristics of a joint venture, in terms of sharing of profits and equality of control, and all of the indicia of an employment relationship with Nature House as an employer and Sloan as an employee. The fact that Sloan was to receive a royalty based upon net sales of his prints does not alter the underlying nature of the relationship between he and Nature House.

Id. at 400.

In each of these cases, the court concluded that the payment of a royalty either determined that the relationship was not a joint venture or that it had no impact on determining whether the relationship was a joint venture. These results make sense; the royalty payments go one way, they provide for sharing of profits, but not losses. Although in Ambuul v. Swanson, 162 Ill. App. 3d 1065, 516 N.E.2d 427 (1st Dist.

1987), the court wrote that "a joint venture has been found to exist where the agreement of the parties did not address the issue of the division of losses," that case is distinguishable, and 3i cites no other potentially contrary authority. Id. at 1070. No reasonable jury could find that NP and Branemark engaged in a joint venture based on the evidence that 3i introduced. Therefore, NP is entitled to judgment as a matter of law on this issue.

Second, 3i sought to establish knowledge of the alleged fraud based on "an alleged agency relationship between [NP] and Swedish counsel (Mr. Barnieske)." Pl.'s Mot. at 8-9. "3i contended that [Barnieske] was an agent of [NP] and was acting within the scope of his authority at the time the '891 patent application was being prosecuted." Id. at 9. "However, there is no evidence that [NP] had the right to control the activities of Barnieske, a finding which is crucial to the existence of an agency relationship." Id. (Again, NP argues that this Court erred by instructing the jury using Illinois law. [sic]. See Section I.B.2.g.

3i responds with the waiver and "objectively baseless litigation" arguments as it did above, plus three arguments concerning agency. First, 3i argues that "Barnieske's own Swedish file indicates that he was to invoice Bofors for all work done in connection with the Swedish counterpart of the '891 patent application." Def.'s Sur-Reb. Br. at 38. Second, Barnieske was sending Bofors and [NP] copies of correspondences from himself to the inventor regarding the status if the U.S. application, even though the U.S. patent prosecutions are secret." [sic] Id. And third, NP's "first president, Mr. Hans Claesson, testified that, in addition to Mr. Barnieske, the '891 patent was also prosecuted by Mr. Hans Fischer, Bofors patent expert." Id.

The law of agency in Illinois is well settled. "The agency relationship is a consensual, fiduciary one between two legal entities, where the principle has the right to control the conduct of the agent and the agent has the power to affect the legal relations of the principle." Taylor v. Kohli, 162 Ill.2d 91, 95, 642 N.E.2d 467 (1994). "[T]his relationship need not de-

pend on an express appointment, but may be found in the situation of the parties, their actions, and other relevant circumstances." Matthews Roofing Co. v. Community Bank and Trust Co., 194 Ill. App. 3d 200, 206, 550 N.E.2d 1169 (1st Dist. 1990); see Resolution Trust Corp. v. Hardisty, 269 Ill. App. 3d 613, 619, 652 N.E.2d 346 (3rd Dist.), appeal denied, 162 Ill.2d 580, 652 N.E.2d 348 (1995). "If the evidence shows one acting for another under circumstances implying knowledge on the part of the supposed principal of such acts, a prima facie case of agency is established." Id. (quoting City of Evanston v. Piotrowicz, 20 Ill.2d 512, 518, 170 N.E.2d 569 (1960)). "The existence of an agency relationship is a question for the trier of fact." Id.

This Court finds NP's argument unpersuasive; there is sufficient evidence of an principal/agent relationship. As 3i argued, there is evidence that Barnieske worked with one of NP's patent attorneys, that he invoiced NP for his efforts, and that he kept NP informed about the patent application. Given the situation, a reasonable jury could find that Barnieske was acting for NP and that NP knew of it. Moreover, it could find that NP had the right to control Barnieske's conduct, so in turn, it could find that a principal/agent relationship existed. Therefore, NP is not entitled to judgement as a matter of law on this issue.

And therefore, the Noerr-Pennington (and PRE) two-part sham test is inapplicable because there is proof of NP's knowing fraud upon, or intentional misrepresentations to, the Patent Office, which conduct deprived that prior litigation of its legitimacy. 3i's Walker Process claim survives, provided that the other elements necessary to the antitrust claim are present.

In any event, 3i proposed a viable alternative theory of antitrust liability, namely that NP, as the assignee of the patent, maintained and enforced the patent with knowledge of the patent's fraudulent derivation. The record reflects that two of NP's executive officers, Dr. Green and Mr. Nilsson, suspected the fraud. Prior to obtaining a legal opinion on the strength of the patent, Dr. Green asked Mr. Nilsson "how it

was possible to get a patent when this textbook had been written by the principal investigator of the inventor of the implant," and Mr. Nilsson responded that "one was is if the Patent Office did not receive a copy of this book, and if that were true, then we would have a larger problem and that was fraud." Tr. at 2349. When the officers obtained a legal opinion, the lawyer, Mr. Lindley, confirmed their suspicions, saying that "if we were to sue anyone on the patent we would lose in the first round . . . [because] there was prior art, not the least of which was this textbook that would invalidate the patent." Tr. at 2376 Based on the evidence, the jury found in a special interrogatory that NP "had knowledge that the '891 patent was obtained by fraud at the time this action was commenced against 3i in July, 1991." Special Interrog. No. 5. A reasonable jury could have made that finding. And therefore, again, the Noerr-Pennington (and PRE) two-part sham test is inapplicable because there is proof of NP's knowledge of the patent's fraudulent derivation. See Walker Process, 322 U.S. at 177 n.5.

This Court notes that NP argues in its opening brief that 3i failed to present sufficient evidence to support a jury finding that "the lawsuit under attack interfered 'directly with the business relationships of a competitor . . . through the use of the governmental process . . . as an anticompetitive weapon.'" Pl.'s Mot. at 10 (quoting PRE, 113 S. Ct. at 1928). This Court rejects NP's argument, however, because it follows from the sham analysis that this Court has already found inapplicable and, in any event, despite 3i's responses on point, NP drops its argument in its reply brief. See Pl.'s Rep. at 9.

5) Evidence of the Causation

NP argues that there "is insufficient evidence in the record to support the jury's finding that [NP], through the existence of the '891 patent or enforcement of the patent in this action, caused 3i any injury." Pl's Mot. at 10. NP discounts 3i's contention that it suffered injury "because it did not make as many sales of implants as it sold abutments." Id. According to NP, "3i was not enjoined from manufacturing or selling its SSTI implants" and "there was no evidence . . . that any buyer

refrained from purchasing SSTI implants from 3i because of the '891 patent or this enforcement action." Id.

3i responds that "[t]he record contains direct testimony that without the patent—and [NP's] enforcement of it—the sales of 3i would have been substantially greater." Def.'s Resp. at 21. For support, 3i argues that "it's abutment sales were substantially greater than its implant sales—a circumstance that was the direct result of the patent." Id. Mr. Beaty testified that "[NP] sells more implants than they do abutments. And I believe that 3i would also sell more implants than abutments in a more normal market." Tr. at 4792. The U.S. market was not "normal" because NP "control[led] [it]," and "forced everyone out. . . ." Tr. at 3115. In the international market, where the '891 patent does not exist, 3i "sold approximately the same number of implants as they did abutments." Def.'s Resp. at 23.

In O.K. Sand & Gravel, Inc. v. Martin Marietta Technologies, Inc., 36 F.3d 565 (7th Cir. 1994), the Seventh Circuit reaffirmed the law on antitrust injury and causation. The court wrote that "[t]o establish an antitrust injury, a plaintiff must show not only that the injury is of the type intended to be protected by the antitrust laws, but that the violation was the 'cause-in-fact of the injury: that 'but for' the violation, the injury would not have occurred.'" Id. at 573 (quoting Greater Rockford Energy and Technology v. Shell Oil, 998 F.2d 391, 394-96 (7th Cir. 1993), cert. denied, 114 S. Ct. 1054 (1994)). The court explained that "[t]he causation element of an antitrust injury stems, of course, from the requirement that a plaintiff show that his injury 'flows from that which makes the defendants' acts unlawful.'" Id. (quoting Brunswick Corp. v. Pueblo Bowl-O-Mat, Inc., 429 U.S. 477, 469 (1977)). "'[T]he plaintiff must establish, with a fair degree of certainty, that the violation was a material element of, and a substantial factor in producing, the injury.'" Id. (quoting Greater Rockford, 998 F.2d at 401.

This Court finds NP's argument unpersuasive. NP maintains that 3i's argument about its implant sales in relation to its abutment sales amounts only to an unsupported assump-

tion, but that is untrue; Beaty's testimony and 3i's international sales ratio belie it. So NP next maintains that the international sales ratio is "misleading because there were counterpart patents existing outside the U.S." Pl.'s Rep. at 9 (citing Dr. Niznick's redirect testimony, in which he said that NP "intended to pursue its foreign patents that were corresponding to this patent"). This is inadequate. It is unclear, for example, whether the corresponding patents are identical, whether NP enforced them, whether it enforced them as ardently, or whether, through its enforcement, it attempted to protect a market share as formidable as the one it enjoyed in the U.S. Based on the evidence, a reasonable jury could find that NP caused 3i's injury. Therefore, NP is not entitled to judgment as a matter of law on this issue.

C. Sufficiency of the Evidence on Attempted Monopolization

NP argues that, "[f]or the reasons described above, there is no legally sufficient evidentiary basis for a reasonable jury to have . . . found" that NP unlawfully attempted to monopolize the relevant market. Pl.'s Mot. at 11. First, NP argues that "there is insufficient evidence to support the jury's finding of the relevant market and thus no reasonable jury could have found that a dangerous probability existed that [NP] would sooner or later achieve such a goal." Id. Second, NP argues that "3i failed to show [NP's] alleged exclusionary or restrictive conduct was the cause of 3i's lower volume of implant sales compared to its abutment sales." Id.

This Court, however, finds NP's arguments unpersuasive for the reasons discussed above in Section I.B.1.b.1), which concerns relevant market, and Section I.B.1.b.5), which concerns causation.

d. Speculativeness of the Evidence for the Damage Award

NP argues that "[t]he jury's award is based on unsupported assumptions and thus must be set aside." Pl.'s Mot. at 11. First, "there is no evidence to support 3i's assumption that it would have sold the additional implants at its list price

of $145/implant." Id. Second, "there is no evidence that any doctor refrained from purchasing 3i's surgical equipment or supplies because of the existence of the '891 patent or its enforcement and thus there is no evidence to support 3i's assumption that it would have sold an additional $72 of surgical equipment and supplies to doctors for every additional implant sold." Id. at 12. And third, "there is [in]sufficient evidence for 3i's assumption that but for the existence of the '891 patent and this enforcement action, 3i would have sold as many implants as it sold abutments." Id.

3i responds that the jury's damage award is based on the evidence from trial and is not speculative, so it should stand. "Total lost profits were $4,035,720 based upon the fact that 3i should be selling as many implants as [it] does abutments." Def.'s Resp. at 21; see DX 3020 and 3004. Moreover, 3i argues that that [sic] lost profits figure is conservative for four reasons: (1) it excludes lost profits from 1990 and 1994; (2) it assumes that 3i would sell no more implants than it does abutments, unlike NP; (3) it assumes that sales would remain constant even if the price dropped; and (4) it discounts the acknowledged growth rate in the industry. Id. at 22.

This Court finds NP's argument is unpersuasive. 3i introduced sufficient evidence that it could have sold additional implants for $145 each. Beaty testified about Exhibit 3004, which includes the $145 figure, and he explained why that Exhibit "best projects our lost profits," even if 3i's average sales price was less than $145. Tr. 4791-93. Moreover, 3i introduced sufficient evidence from its business records that it suffered lost convoyed sales of $72 per implant. Tr. at 3124. And, as discussed above, 3i introduced sufficient evidence to support its argument that but for the existence of the '891 patent and NP's suit, 3i would have sold as many, if not more, implants as it sold abutments. See Section I.B.1.b.5). 3i's lost profits analysis has an adequate foundation, and a reasonable jury could have awarded to 3i the lost profits it sought without engaging in speculation. See MCI Communications v. Am. Telephone and Telegraph, 708 F.2d 1081, 1166 (7th

Cir.), cert. denied, 464 U.S. 891 (1983). Therefore, NP is not entitled to judgment as a matter of law on this issue.

C. Sufficiency of the Evidence on Monopolization and Attempted Monopolization Against NP USA

NP argues that there is insufficient evidence to support the jury's verdict of monopolization and attempted monopolization against NP USA. First, NP argues that the patent was applied for in 1979 and issued in 1982, so NP USA, which did not incorporate until 1984, did not procure the patent. Pl.'s Mot. at 12. And second, NP argues that NP AB, not NP USA, commenced this action, so NP USA did not enforce the patent against 3i. Id.

3i, of course, disagrees. 3i argues that NP waived this argument because NP "did not raise this specific ground in its oral Rule 50(a) motion." Def.'s Resp. at 28 n.6. "In any event, there was substantial evidence of record demonstrating [NP USA's] participation in enforcing the '891 patent to drive competitors out of the U.S. implant market." Id.

This Court finds NP's argument unpersuasive. As 3i argues, NP waived its argument by failing to raise it in its Rule 50(a) motion. See Section I.A.1.b.2). Likely realizing this, NP drops its argument in its reply brief. Or perhaps NP drops it because 3i correctly points to sufficient evidence for a reasonable jury to find that NP USA participated in the enforcement of the patent. See Tr. 3132-37; 2937-39; 2944-45. Either way, NP is not entitled to judgment as a matter of law on this issue.

Therefore, NP is not entitled to judgment as a matter of law on 3i's antitrust counterclaim.

2. NP's Alternative Motion for a New Trial

a. Evidentiary Ruling Concerning Mr. Green

NP argues that this Court "erroneously permitted highly prejudicial testimony by a former officer of [NP], Ralph E. Green, Jr., regarding a legal opinion allegedly provided by a

David Lindley, Esq." Pl's Mot. at 13. "Such a communication would be protected by the attorney-client privilege. Although [NP] never waived the privilege, the Court sua sponte relied on the crime/fraud exception as the basis for piercing the privilege." Id. NP argues that this Court's reliance was misplaced. (NP also argues that Mr. Green's testimony about Mr. Lindley's statements was inadmissible as hearsay, Id. [sic] at 13 n.5, but this Court adequately ruled on that argument during trial, Tr. at 172-3.)

3i's first two responses concern waiver, which responses this Court rejects at the outset. First, 3i argues that "this entire issue has been waived since [NP] offered the testimony of Hans Claesson, its former president, on the subject of these very same communications." Def.'s Resp. at 30. This Court rejects 3i's argument because NP offered the testimony after the fact, after Green's testimony. NP could not waive the issue retroactively. Second, 3i argues that NP "waived the attorney-client privilege by putting at issue its state of mind at the time this suit was filed regarding the validity and enforceability of the '891 patent." Id. at 28-29. This argument requires more discussion.

In Lorenz v. Valley Force Ins. Co., 815 F.2d 1095 (7th Cir. 1987), the Seventh Circuit addressed the law surrounding implicit waiver of the attorney-client privilege. Implicit waiver "can occur when a holder relies on a legal claim or defense, the truthful resolution of which will require examining confidential communications." Id. at 1098. "To waive the attorney-client privilege by voluntarily injecting an issue in the case, a defendant must do more than merely deny a plaintiff's allegations. The holder must inject a new factual or legal issue into the case." Id.; see Dawson v. New York Life Ins. Co., 901 F. Supp. 1362, 1368 (N.D. Ill. 1995); In re Consolidated Lit. Concerning Int'l Harvester's Disposition of Wis. Steel, 666 F. Supp. 1148, 1150-51 (N.D. Ill. 1987). "Most often, this occurs through the use of an affirmative defense." Id.

This Court finds 3i's implied waiver argument is unpersuasive. At best, the implication derives from NP's counsel's

statement that "[t]he purpose of my witness is to be a witness who reviews the information and evidence that [NP] had at the time it made the decision to file the suit." Tr. at 2344. Yet, first, NP's counsel announced that he "had not changed [his] position" since this Court tentatively granted NP's motion to exclude Green's allegedly privileged testimony. Tr. at 2343; see Tr. at 172-76; see also Tr. at 3856. And second, NP's witness was a rebuttal witness, and there is no indication that he would raise new factual or legal issues. It appears that NP merely tried to defend itself against 3i's allegations. Therefore, NP did not implicitly waive its privilege. Lorenz, 815 F.2d at 1098.

3i's third response is that this Court "properly determined that 3i had made a prima facie case that [NP] had engaged in a fraud on the patent office and that its efforts to obtain a legal opinion regarding the '891 patent were in furtherance of its fraudulent scheme to monopolize the U.S. implant market." Def.'s Resp. at 29.

"The attorney-client privilege is not unlimited in scope." Ventre v. Datronic Rental Corp., 1995 WL 42345, at *3 (N.D. Ill. Feb 2, 1995). "The crime-fraud exception to the attorney-client privilege applies when a person consults an attorney to further a continuing or future crime, fraud or other misconduct." Stopka v. Alliance of Am. Insur., 1996 WL 204324, at *9 (N.D. Ill. April 25, 1996). The exception does not apply just because "a person consults an attorney in an effort to receive legal advice or assistance." Id. Moreover, the exception does not apply just because "'it relates to a crime or fraud or because it would help to prove one existed.'" Id. (quoting Sound Video Unltd., Inc. v. Video Shack. Inc., 661 F. Supp. 1482, 1486 (N.D. Ill 1987)).

"[T]o drive away the privilege under the fraud/crime exception 'there must be something to give colour to the charge;' there must be 'prima facie evidence that it has some foundation in fact.' When that evidence is supplied, the seal of secrecy is broken.'" U.S. v. Davis, 1 F.3d 606, 609 (7th Cir. 1993), cert. denied, 114 S. Ct. 1216 (1994) (quoting Matter of Feldberg, 862 F.2d 622, 625 (7th Cir. 1985)

(quoting another case)). The Seventh Circuit "noted that 'prima facie evidence' did not mean 'enough to support a verdict in favor of the person making the claim.'" Id. (quoting Feldberg, 862 F.2d at 626). "Instead, we held that a party has established a prima facie case whenever it presents evidence sufficient 'to require the adverse party, the one with the superior access to the evidence and in the best position to explain things, to come forward with that explanation.'" Id. (quoting Feldberg, 862 F.2d at 626). This is a "lax standard[]." Feldberg, 862 F.2d at 626.

Also, "[t]he moving party must also establish 'some relationship between the communications at issue and the alleged offense.'" Stopka, 1996 WL 204324, at 9 (quoting Sound Video, 661 F. Supp. at 1486). "The moving party need not make a specific showing of the client's intent in consulting the attorney, but the evidence must support the inference that the attorney's representation or advice assisted the client in committing the alleged offense." Sound Video, 661 F. Supp. at 1486.

This Court finds NP's argument unpersuasive. 3i made a prima facie case by, for instance, eliciting testimony that NP knew that it did not disclose prior art such as Branemark's textbook, and yet it determined to sue competitors if for no other reason than to make those competitors pay for the costs of litigation. See Section I. B.1.b.4); Tr. at 2335 ("And Mr. Wessman then said that it wasn't necessary to get a legal opinion, that he wanted to sue Dr. Niznick anyhow so that he would spend money and time fighting the lawsuit"); see also Tr. 2369-74. 3i made a sufficient showing that the legal opinion was an afterthought, something that NP believed could help it perpetrate the fraud. That was the connection; the communication could help NP perpetrate the fraud. Generally, there was a sense of fraud in the air, which sense the jury later confirmed, and this Court felt comfortable ruling that NP waived its attorney-client privilege. NP is not entitled to a new trial on this issue.

b. Evidentiary Ruling Concerning Mr. Vande Sande

NP argues that this Court erroneously excluded the testimony of Mr. George Vande Sande, a lawyer who "would have directly refuted Mr. Green's unexpected testimony concerning the alleged Lindley opinion." Pl.'s Mot. at 14.

3i responds that this Court properly excluded Vande Sande's testimony because NP gave untimely notice of its desire to call him as a witness and NP refused to comply with 3i's discovery requests on the subjects about which he would have testified. Def.'s Resp. at 31. Also, 3i argues that given Green's testimony and Claesson's corroborating testimony, Vande Sande's testimony was not crucial. Id.

In this case, this Court finds NP's argument unpersuasive. At trial, 3i argued that NP did not inform 3i of NP's desire to call Vande Sande until noon on the day before NP would have had him testify. Tr. at 3850. NP contested 3i's argument, Tr. at 3880 and following, but this Court is satisfied that 3i was unaware that Vande Sande would testify, and that NP's proffer of him was untimely. Moreover, again as 3i argued, if Vande Sande testified, 3i would have been in an untenable position because of NP's longstanding objections during depositions that precluded 3i from obtaining evidence with which to cross examine Vande Sande. See Tr. at 3651-55. 3i's counsel stated that 3i "has never been able to get any . . . executive of [NP], Mr. Claesson, Mr. Ek, Mr. Nortoft, any of them, to basically answer the question as to what advice they received from their attorneys. Obviously these depositions go back, your Honor, to 1988. I don't think you can put Humpty-Dumpty back together again." Tr. at 3855. Considering the length of the trial, which this Court did not want to delay or disjoint, and considering Green's and Claesson's testimony, which would have limited the impact of Vande Sande's testimony, this Court ruled properly. NP is not entitled to a new trial based on this issue.

c. Evidentiary Ruling Concerning Mr. Martens

NP argues that this Court erroneously excluded the testimony of Mr. Don Martens, NP's patent law expert. NP argues that this Court should not have ordered his "removal" while he was testifying or stricken his entire testimony. In particular, NP first argues that "the ruling was based upon an expert exclusion order that did not exist, . . . which even if such a rule existed, would have been improper;" and second that "any violation of such a rule alone does not render a witness's testimony inadmissible in its entirety." Pl.'s Mot. at 14. Moreover, NP argues that this Court erroneously "interfered with the examination of Steven Lipman" by calling one of NP's counsel's lines of inquiry "ridiculous." Id. at 15.

3i responds that this Court correctly excluded the testimony of Martens. First, "[i]t was [NP] that surfaced the [witness exclusion] rule," so its objection that there was no such rule "is wrong and disingenuous." Def.'s Resp. at 16; see Id. [sic] at 15. Second, 3i objected that Martens' testimony lacked foundation because he was not one skilled in the art, and the one who could have provided foundation, the one who was skilled in the art, Berlowitz, was unavailable because this Court struck the relevant portions of his testimony. And third, the testimony that Martens was offering had never been disclosed prior to trial; it was apparently disclosed when 3i was two-thirds through it antitrust case; that is sufficient grounds alone to strike the opinion." [sic] Id. at 15-16.

This Court finds NP's argument unpersuasive. To be sure, this Court initially based it ruling on the witness exclusion rule, although that rule has an exception for experts, which exception may be applicable here. See Tr. at 2602. This Court, however, provided an additional basis for its ruling, namely the one provided by 3i's second argument above that Marten's testimony lacked foundation. This Court stated, "I am going to rule now on all of Mr. Foote's objections to the lack of base for those questions on the previous witness. . . . I am now sustaining all of those objections." Tr. at 4670. NP does not argue with the substance of that basis, only that it came after the fact. This Court rejects that argu-

ment because this Court strove to provide a proper basis for its ruling, and it is not now concerned that the second basis came three transcript pages after the first one. Cf. Tr. at 4667 and 4670. This Court also rejects NP's argument that its dismissal of Marten in front of the jury was prejudicial. This Court believes that the manner in which it dismissed Marten was straightforward and professional; it involved no undue prejudice. See Tr. at 4667-68. Similarly, this Court rejects NP's argument that its "interfer[ence]" with NP's cross examination of Lipman was unduly prejudicial. This Court does not need to reach 3i's third argument. NP is not entitled to a new trial based on this issue.

d. Evidentiary Ruling Concerning Dr. Hodosh

NP argues that this Court erroneously excluded the testimony of Dr. Hodosh. NP claims that his testimony would have shown "that the non-disclosed references cited by 3i (i.e., the AGA patents, the 1973 Weiss article and the 1977 Branemark book) were cumulative references already cited to the Patent Office and/or not material to the invention claimed in the '891 patent." Pl.'s Mot. at 15. NP argues that this Court erroneously excluded his testimony when it, first, "distinguished between 'prior art' testimony in the context of an antitrust case from that in a patent case," and second, "concluded that Dr. Hodosh was only designated as an expert witness regarding 'prior art' in the context of a patent case." Id.

3i responds that this Court did not rule erroneously. First, 3i argues that this Court did not rule that Hodosh could not testify about prior art. Rather, NP made a choice not to have Hodosh testify on the subject, which choice NP may now regret, but with the consequence that NP waived its right to argue the point. Def.'s Resp. at 11. Second, 3i argues that NP attempted to introduce Hodosh's testimony in an untimely fashion, "amend[ing] its interrogatories adding 30 new opinions when 3i was two-thirds through its antitrust counterclaim." Id. at 12. "The Court certainly did not abuse its discretion in excluding expert opinions which had never been disclosed. . . ." Id.

This Court finds NP's argument unpersuasive. This Court discussed what may be a distinction between prior art in one context and prior art in another, but that was not the basis, or certainly not the entire basis, of this Court's ruling on what Hodosh could testify about. On the other hand, this Court also finds 3i's first argument unpersuasive; this Court did rule that Hodosh could not testify about prior art in NP's defense of 3i's antitrust counterclaim. 3i's reference to this Court's statement that "I didn't say he couldn't testify on prior art" is inapt because it concerns this Court's ruling about the admissibility of testimony during NP's infringement case. Tr. at 4496. 3i's second argument, the one about timeliness, is closer to the mark. This Court stated that, "[i]n terms of the evidentiary [bases] of these rulings, in terms of its redundancy and of its cumulative nature, its not having been previously offered . . . that should have been offered before." Tr. at 4496-7. Moreover, this Court also "subscribe[d] to everything that Mr. Foote said." Tr. at 4496. NP does not object to these bases, and this Court stands by them. NP is not entitled to a new trial based on this issue.

e. Evidentiary Ruling Concerning Mr. Ek

NP argues that this Court erroneously excluded "evidence [of] prior summary judgment motions challenging the validity of the '891 patent in other litigations, . . . and the decisions denying such motions." Pl.'s Mot. at 16. Moreover, NP argues that this Court erroneously barred Mr. Ek, the president of NP, "from testifying with regard to his knowledge concerning [those] rulings." Id. "Such evidence should have been admitted as probative of [NP's] good faith belief in the validity of the '891 patent." Id.

3i responds that this Court did not erroneously rule. "First, the Court properly barred evidence of the summary judgment opinions and decisions entered in the Core-Vent and OTC cases as being irrelevant and prejudicial." Def.'s Resp. at 30. Second, "[t]he Court properly barred Mr. Ek from testifying...because [NP] never permitted 3i any discovery on Ek's knowledge of" his communications with company attorneys regarding the Core-Vent and OTC cases. Id. NP

claimed attorney-client privilege and refused to waive it to allow 3i to conduct its discovery.

In Mendenhall v. Cedarapids, Inc., 5 F.3d 1557 (Fed. Cir. 1993), cert. denied, 114 S. Ct. 1540 (1994), the Federal Circuit wrote with reference to Fed. R. Ev. 403 that "it may be appropriate to admit evidence of prior litigation, but such evidence must pass muster, like any other evidence, as relevant and probative of an issue in the second case." Id. at 1573. "Further, if relevant, the proffered evidence may nonetheless be excluded . . . if its probative value is substantially outweighed by its prejudice to one's adversary because of the likelihood of confusion to the jury." Id. "There is no exemption from Rule 403 for evidence of prior litigation." Id.

This Court finds that NP's arguments may be persuasive, but if they are, they are nonetheless insufficient. The summary judgment motions and Ek's testimony about them may have been relevant during trial, and their substantive value may have outweighed their prejudicial effect. Also, as to the discovery issue, the transcript is unclear about who asked Ek what and how Ek responded. This Court does not resolve those issues because their resolutions are unnecessary. First, the jury found that NP committed fraud on the Patent Office, which finding nullified what Ek would have claimed was NP's mindset when it brought this litigation, making his testimony irrelevant in retrospect and this Court's ruling harmless. And second, this Court already ruled that NP's suit as pleaded was not objectively baseless, which likely would have been the thrust of Ek's testimony about the prior litigation. (NP could not use it to enhance the presumption of validity. Id. at 1573.) So if this Court's ruling was erroneous, it was also harmless. NP is not entitled to a new trial based on this issue.

f. Evidentiary Ruling Concerning Professor Hall

NP argues that this Court erroneously excluded certain testimony of Professor Hall, NP's expert economist. NP argues that this Court erred at four points, by (1) "prohibiting [Hall] from using exhibits which he prepared to respond to

certain points raised by Professor Topel," (2) "barring him from testifying about a particular survey of doctor attitudes which was relevant to market definition," (3) "barring him from testifying about the Medical Data Incorporated Report ("MDI") [sic] which was relevant to the issue of market definition and relied upon by 3i's expert," and (4) [sic] barring his opinion testimony concerning [NP's] lack of market power." Pl.'s Mot. at 17.

3i responds that this court did not err, and it addresses each of NP's points, arguing that: (1) NP did not disclose the exhibits during discovery or disclose their underlying data; (2) NP did not disclose the opinions in the medical survey; (3) NP established no foundation for the MDI and chose not to use the report for limited purposes; and (4) NP did not disclose Hall's opinion on market power.

This Court finds NP's argument unpersuasive. In its reply brief, NP expresses the gist of its complaint, that the "limitations on the testimony of Professor Hall were improper and inequitable in that Professor Hall's testimony was limited in ways which had been acceptable for 3i's economist, Professor Topel." Pl.'s Rep. at 15. That is incorrect. This Court imposed limitations on Hall that were specific to his testimony. Where those limitations differed from those imposed on Professor Topel, it was because Hall's testimony, and the foundations on which he based his testimony, differed or were differently presented. Moreover, as 3i argues on each of NP's four points, Hall's testimony faced certain limitations because of factors outside of its substance such as NP's discovery, disclosure and/or foundational abuses. See, e.g., Tr. ar [sic] 3939-40; Tr. 3975-77; Tr. at 3918-20; Tr. at 3931-32; and Tr. at 3960-65. This Court reaffirms its rulings based on those abuses. NP is not entitled to a new trial based on this issue.

g. Jury Instruction Rulings

First, NP argues that this Court "erred by allowing the jury to determine its own interpretation of the claims of the '891 patent in connection with the issue of materiality." Pl.'s

Mot. at 17; see Id. [sic] at 7 n.3. 3i responds that "(a) [NP] never raised this issue at trial, (b) [NP] offered no instruction on the point and, (c) [NP] . . . agreed to the parties' instruction on claim interpretation." Def.'s Resp. at 32 (citing Tr. at 4863-64, 4895-99, and 4928-29). So 3i argues that "[t]he point is waived." Id. NP fails to reply to 3i's waiver argument, conceding, as it must given the record, that the point is, in fact, waived.

Second, NP argues that this Court "erred by instructing the jury that [NP] had the requisite market power even if its market share was less than 50% if there were other evidence of monopoly power." Pl.'s Mot. at 18. NP further argues that the instruction was erroneous because there was insufficient "other evidence." 3i responds that this Court "carefully considered [NP's] objections to this instruction . . . and ruled, correctly, that the instruction was proper, given the facts of this case." Def.'s Resp. at 33.

This Court finds NP's argument unpersuasive. NP's counsel stated at the jury instruction conference that "the point is that I don't think that it is proper . . . to instruct the jury that if they agree with us that the relevant market is endosseous root-form dental implants that they can still find [NP] to be a monopolist of that market." Tr. at 3708. Yet the jury disagreed with NP. Instead, it agreed with 3i's definition, finding in a special interrogatory that "non-coated screw-type machined titanium dental implants which have not been acid etched is a relevant product market." Spec. Interrog. No. 1. And 3i introduced sufficient evidence that NP had greater than a 50% share of that market. See Tr. at 3708. NP's counsel apparently admitted that if the jury found in favor of 3i's definition of the market, which it did in the interrogatory, NP's proposed instruction, the one that this Court rejected and is now at issue here, "is probably moot." Tr. at 3712. This Court goes further and finds that the instruction is definitely moot. In turn, NP's argument is moot.

Third, NP argues that this Court "erred by failing to instruct the jury that in order to find that [NP's] enforcement of the '891 patent through infringement action was an antitrust

violation they must first find that this lawsuit was objectively baseless. . . ." Pl's Mot. at 18. 3i responds that NP "does not point to any particular instruction as erroneous, and thus waives the point," plus the instructions regarding bad faith enforcement did not mislead the jury, and if anything "required a higher burden of proof" than the Supreme Court required in PRE. Def.'s Resp. at 33. As this Court discussed above in Section I.B.1.b.4), however, the jury did not need to find NP's enforcement action objectively baseless given its finding that NP engaged in knowing fraud. NP's argument, again, is moot.

Fourth, NP argues that this Court "erred by issuing an agency and joint venture instruction derived from Illinois law." PI.'s Mot. at 19. According to NP, "Illinois law does not apply to a relationship between a Swedish citizen, Mr. Barnieske, and a Swedish corporation, Bofors, and to an agreement entered into in Sweden between a Swedish citizen, Mr. Branemark, and a Swedish company, [NP]." Id. "With respect to both of these issues, Swedish law imposes a more stringent standard." Id. 3i responds that NP does not explain how Swedish law differs from Illinois law, and NP "did not tender any instructions during the trial which it contended were in accord with Swedish law." Def.'s Resp. at 33. Moreover, NP "even agreed with 3i as to the accuracy of the jury instructions on these points. The point is waived." Id. at 33-34.

This Court finds NP's argument unpersuasive. First, it is unclear how the Swedish law is more stringent, and, as 3i notes, NP provides no explanation, even in its reply brief. See Act on Commission, Commercial Agents and Traveling salesmen [sic] of 1914, ch. 3, arts. 77, 83 and 84; Act on partnership [sic] an Simple Companies of 28 June 1895, ch. 2, arts. 45 and 49. Second, it is clear that NP waived the issue. NP claims that it did not because this Court rejected its statement that "this agreement has to be interpreted under Swedish law, not under the State of Illinois," so making further statements about Swedish law or tendering jury instructions concerning Swedish law would have been futile. Tr. at 3745; see

Pl.'s Rep. at 15. But this Court did not reject NP's statement of the applicable law. To the contrary, this Court stated that "we may have to use the Swedish law to interpret the strength of the contract and the obligations of the contract. . . ." Tr. at 3749. Certainly, this Court made no ruling that Illinois law would definitely apply. NP has no excuse for not following through, and therefore, it waived the issue. And third, in any event, NP's argument may be moot because 3i's case did not rely exclusively on the agency liability; it also relied on assignee liability. See Section I.B.1.b.4).

Fifth, NP argues that this Court erred in instructing the jury regarding intent by setting "forth 3i's contentions regarding intent at length and improperly refusing to instruct the jury on [NP's] counter-contentions," instructing the jury merely that "'counter-defendants deny this allegation,'" which instruction NP argues was "unbalanced." Pl.'s Mot. at 19. 3i responds that NP waived the issue, that the instruction was not unbalanced, and if it was, it was not so unbalanced as to prejudice NP. As above, NP fails to reply to 3i's waiver argument, conceding, as it must given the record, that the issue is, in fact, waived. See Tr. at 5207-14. And in any event, even NP's counsel described the issue as "minor," which this Court believes correctly describes it, so any "unbalance" was harmless. Tr. at 5207-14.

Therefore, NP is not entitled to a new trial on 3i's antitrust counterclaim.

D. Recusal Issues

NP argues that it is "entitled to a new trial before a different judge because the Court improperly presided over [the] trial since 3i was represented by a law firm where the presiding judge's daughter occupied the position of partner or its substantial equivalent." Pl.'s Mot. at 19. "Under these circumstances, a waiver from [NP] could not have been sought or given, thereby presenting the Court with the option to refuse to permit the law firm to appear in the case on behalf of 3i or recuse itself." Id. at 19-20.

3i argues that this Court's impartiality could not reasonably be questioned, 28 U.S.C. 455(a) ("§ 455(a)"), and if it could, NP waived its rights in the matter. "First, [NP] failed to file a petition for writ of mandamus." Def.'s Resp. at 35. "Second, each of the 455(a) grounds appear to be premised on events which occurred in open court," which is insufficient. Id. at 35-36. "Third, all grounds set forth in [NP's] recusal motion were reviewed extensively by the parties. Any fair review of the record will indicate that the motion was baseless and was promoted by evidentiary rulings of the Court which were adverse to [NP]." Id. at 36.

Section 455(a) provides that "[a]ny justice, judge, or magistrate of the United States shall disqualify himself in any preceding in which his impartiality might reasonably be questioned." "The rule in this circuit is well-established that a party moving for disqualification under § 455(a) must immediately move for a writ of mandamus in the event that the district judge denies the motion." Lac du Flambeau v. Stop Treaty Abuse-Wis., Inc., 991 F.2d 1249, 1255 (7th Cir. 1993); see U.S. v. Balisterieri, 779 F.2d 1191 (7th Cir. 1985), cert. denied, 475 U.S. 1095 (1986) (writing that "a timely" writ of mandamus is the "sole remedy"). If the party does not move for a writ, "the argument is waived, and we give it no further consideration." Id.

In this case, NP moved for recusal on April 4, 1994, about three weeks into the trial, and this Court denied the motion. NP failed to move for a writ of mandamus. Therefore, NP waived the matter, and this Court gives it no further consideration, except to note that NP, likely realizing that it waived the matter, does not defend it in its reply brief.

Next, 3i argues that this Court did not need to recuse itself because of personal bias or prejudice toward a party, 28 U.S.C. § 455(b) ("§ 455(b)"), because, again, NP waived its rights in the matter. 3i asserts that "SCA does not correctly state the current 7th Circuit law." Def.'s Resp. at 35; see SCA Servs., Inc. v. Morgan, 557 F.2d 110 (7th Cir. 1977). Moreover, NP "must acknowledge that the circumstances of this case are even more difficult to overcome than

those set forth and reviewed by Judge Posner in Union Carbide." Id.; see Union Carbide Corp. v. U.S. Cutting Serv., Inc., 782 F.2d 710 (7th Cir. 1986). Here, the Court obtained an express waiver from the parties with respect to the appearance in the case of Winston and Strawn after the disqualification of Phil Koenig and his firm." Id. NP's "practice is transparent: Assuming that the trial was proceeding in a manner favorable to [NP], then a motion would not be filed. It was obvious that by April 4, 1994, [NP] was concerned about its case and did not agree with the Court's disposition of several important issues." Id. at 36.

Section 455(b) provides in relevant part that any justice, judge or magistrate of the United States "shall also disqualify himself in the following circumstances: (5) He . . . or a person within the third degree of relationship . . . (iii) Is known by the judge to have an interest that could be substantially affected by the outcome of the proceeding." Section 455(e) provides in relevant part that "[n]o justice, judge, or magistrate shall accept from the parties to the proceeding a waiver of any ground for disqualification enumerated in subsection (b)."

This Court does not pursue on the issue of waiver. First, given the language of § 455(e), there is little basis for waiving one's rights under § 455(b), particularly because to a great extent they are not the party's rights but, rather, the judiciary's rights in maintaining its own integrity. And second, although the SCA court's vitality on the issue of waiver is uncertain in the wake of subsequent Seventh Circuit common law, U.S. v. Murphy, 768 F.2 1518, 1539 (7th Cir. 1985), U.S. v. Balisterieri, 779 F.2d 1191, 1202-03 (7th Cir. 1985), Union Carbide, 782 F.2d at 716, that uncertainty more concerns its holding on § 455(a) than on § 455(b). Cf. Schurz v. Fed. Communications Comm'n, 982 F.2d 1057, 1060 (7th Cir. 1992) (chambers opinion) (reasoning broadly and perhaps clouding the § 455(a)-(b) distinction). Even in the wake of Schurz, "it is certainly arguable that the requirement of a timely filing of a motion for disqualification is not firmly established in this circuit." Id. at 1060. Because the require-

ment is not firmly established and because this Court does not need to base its decision on the requirement, this Court does not pursue the issue.

This court notes, however, that if it did pursue the issue it would find that NP's motion for disqualification was untimely and that, to the extent that it could, NP waived its rights. NP moved to disqualify 3i's initial counsel, Phil Koenig, and this Court granted its motion. So 3i brought in its replacement counsel, Winston and Strawn, and when it did this Court made plain to NP that this judge's daughter is a salary partner there. This Court made plain that fact on more than one occasion, and NP assured this Court that it was no problem, leading this Court to go forward with that assurance. Then in the middle of trial NP moved for recusal, likely, as 3i argues, because NP believed that the trial was not proceeding as it hoped. This Court could not abide that stunt; no court should abide it. It is precisely "the heads-I-win-tail-you-lose" litigating position that the Schurz court prohibited. Id. at 1060 (writing that the "requirement of timeliness 'prohibits the knowing concealment of an ethical issue for strategic purposes'"). Even though the waiver issue is not dispositive, it is compelling.

The merits are compelling as well, and this Court holds that § 455(b) is inapplicable. As this judge discussed with the parties in open court on more than one occasion, this judge's daughter is a salary, not an equity, partner at Winston, and this judge's daughter performed no work on this case and did not represent 3i in any legal matter. This judge knows of no interest that his daughter may have, or may have had, that could be substantially affected by the outcome of this proceeding. Therefore, this judge will not recuse himself.

In reaching this decision, this judge stands with a broad, deep and uniform body of authority. See U.S. ex rel. Weinberger v. Equifax, 557 F.2d 456, 463 (5th Cir. 1977), cert. denied, 434 U.S. 1035 (1978) (relative's salary interest as an associate insufficient to require recusal); Wilmington Towing Co., Inc. v. Cape Fear Towing Co., Inc., 624 F. Supp. 1210, 1211 (E.D.N.C. 1986) (same, summer associate); Miller In-

dus., Inc. v. Caterpillar Tractor Co., 516 F. Supp. 84, 86 (S.D. Ala. 1980) (same of counsel); Keene Corp. v. Rogers, 863 S.W.2d 168, 172 (Tex. Ct. App. 1993) (same); see also U.S. v. Tierney, 947 F.2d 854, 865 (8th Cir. 1991); Welch v. Bd. of Directors of Wildwood Gold Club, 1996 WL 115433, *4 (W.D. Pa. Mar. 5, 1996); Regional Sales Agency, Inc. v. Reichert, 830 P.2d 252, 258 (Utah 1992); Reilly v. S.E. Pa. Transp. Auth., 330 Pa. Super. 420, 479 A.2d 973, 982 (Pa. Super. Ct. 1984); and cf. In re Nat'l Union Fire Insur. Co., 839 F.2d 1226 (7th Cir. 1988); Steward v. GNP Commodities, Inc., 1992 WL 121545, *2 (N.D. Ill. May 26, 1992). This judge also stands with the ethical authority. Letter from the Committee on Code of Conduct of the Judicial Conference of the United States of March 27, 1996 (citing A.B.A. Model Code of Judicial Conduct (1990) Canon 3E(1)(d)(iii)) (available from this Court upon request).

To be sure, this case is distinguishable from those cited above, but the distinguishing features are immaterial. Most obviously, this case is distinguishable in that this judge's daughter is a salary partner instead of a salary summer associate, associate, or of counsel. But that is immaterial because the courts reason based on forms of income rather than forms of title. On the other hand, they also reason based on forms of indirect interest such as the derivation of value from the enhancement of a law firm's reputation, and one could speculate that the interest is greater for partners, whether salary or equity, than for others. But even if that speculation is correct, "this interest is simply too insubstantial to require disqualification." Tierney, 947 F.2d at 865.

Therefore, this judge correctly denied NP's motion for recusal.

II. Conclusion

Therefore, this Court denies NP's motion for a new trial on its patent claim, and this Court denies NP's motion for judgment as a matter of law and its alternative motion for a new trial on 3i's antitrust counterclaim.

Enter:
June 19, 1996

/s/
BRIAN BARNETT DUFF, JUDGE
UNITED STATES DISTRICT COURT

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

96-1463

NOBELPHARMA AB,

Plaintiff/Counterclaim Defendant-Appellant,

and

NOBELPHARMA USA, INC.,

Counterclaim Defendant-Appellant,

and

PER INGVAR BRANEMARK AND INSTITUTE FOR APPLIED BIOTECHNOLOGY,

Counterclaim Defendants,

v.

IMPLANT INNOVATIONS, INC.,

Defendant Counterclaimant-Appellee.

[Entered April 29, 1998]

ORDER

A combined petition for rehearing and suggestion for rehearing in banc having been filed by the APPELLANTS and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the suggestion for rehearing in banc having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, DECLINED.

The mandate of the court will issue on May 6, 1998.

FOR THE COURT
JAN HORBALY, CLERK

Dated: April 29, 1998

By /s/
Alex Van Veen
Staff Law Clerk

cc:
Donald R. Dunner
D. Dennis Allegretti

Note: Pursuant to Fed. Cir. R. 47.6, this order is not citable as precedent. It is a public record.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

96-1463

NOBELPHARMA AB,

Plaintiff/Counterclaim Defendant-Appellant,

and

NOBELPHARMA USA, INC.,

Counterclaim Defendant-Appellant,

and

PER INGVAR BRANEMARK AND INSTITUTE FOR APPLIED BIOTECHNOLOGY,

Counterclaim Defendants,

v.

IMPLANT INNOVATIONS, INC.,

Defendant Counterclaimant-Appellee.

DECIDED: November 18, 1997

Before RICH, PLACER, and LOURIE, Circuit Judges.

Opinion for the court filed by Circuit Judge LOURIE. Concurring-in-part and dissenting-in-part opinion filed by Circuit Judge PLAGER.

LOURIE, Circuit Judge.

Nobelpharma AB and Nobelpharma USA, Inc. (collectively, NP) appeal from the judgment of the United States District Court for the Northern District of Illinois holding that (1) U.S. Patent 4,330,891 is invalid under 35 U.S.C. § 112, ¶ 1 (1994), for failure to disclose the best mode of carrying out the invention, (2) Implant Innovations, Inc. (3I) did not infringe the '891 patent, and (3) NP was not entitled to JMOL or, in the alternative, a new trial following the jury verdict in favor of 3I on its antitrust counterclaim against NP, Dr. Per-Ingvar Branemark, and the Institute for Applied Biotechnology. See Nobelpharma AB v. Implant Innovations, Inc., 930 F. Supp. 1241 (N.D. Ill. 1996). We conclude that the district court did not err in granting judgment that the patent is invalid as a matter of law at the close of NP's case-in-chief, but that it did err in denying NP's motion for JMOL on the antitrust counterclaim. Accordingly, the decision of the district court is affirmed-in-part and reversed-in-part.

BACKGROUND

Drs. Branemark and Bo-Thuresson af Ekenstam are the named inventors on the '891 patent, the application for which was filed in 1980 and claimed priority from a Swedish patent application that was filed in 1979. The patent claims "an element intended for implantation into bone tissue." This "element," when used as part of a dental implant, is placed directly into the jawbone where it acts as a tooth root substitute. The implants described and claimed in the patent are preferably made of titanium and have a network of particularly-sized and particularly-spaced "micropits." These micropits, which have diameters in the range of about 10 to 1000 nanometers or, preferably, 10 to 300 nanometers, allow a secure connection to form between the implant and growing bone tissue through a process called "osseointegration."

Branemark is also one of the authors of a book published in 1977, entitled "Osseointegrated Implants in the Treatment of the Edentulous Jaw Experienced from a 10-Year Period" (hereinafter "the 1977 Book"). As its title suggests, this book describes a decade-long clinical evaluation of patients who

had received dental implants. The 1977 Book includes a single page containing four scanning electron micrographs (SEMs) of titanium implants that exhibit micropits. The caption describing these SEMs reads, in part: "Irregularities are produced during manufacturing in order to increase the retention of the implants within the mineralized tissue." 3I determined, based on measurements and calculations that it presented to the trial court, that the micropits shown in the 1977 Book have diameters within the range claimed in the '891 patent. However, the 1977 Book does not specifically refer to "micropits."

In preparing to file the Swedish patent application, af Ekenstam submitted a draft written description of the invention to the investors' Swedish patent agent, Mr. Barnieske. This draft referred to the 1977 Book in the following translated passage:

> In ten years of material pertaining to titanium jaw implants in man, Branemark et al. [in the 1977 Book] have shown that a very high frequency of healing, as stated above, can be achieved by utilizing a carefully developed surgical technique and adequately produced implants.

However, Barnieske deleted all reference to the 1977 Book from the patent application that was ultimately filed in Sweden. Similarly, the 1977 Book is not mentioned in the U.S. patent application filed by Barnieske on behalf of Branemark and af Ekenstam.

In June 1980, while the U.S. patent application was pending, Branemark entered into an exclusive license agreement with NP covering the claimed technology.[1] Barnieske kept NP informed of the prosecution of the U.S. patent appli-

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1 The district court indicated that Branemark and af Ekenstam assigned the '891 patent to NP prior to NP's bringing this suit. 3I has not challenged NP's standing to bring this patent infringement claim without joining Branemark and af Ekenstam.

cation and received assistance from NP's U.S. patent agent. The '891 patent issued in 1982; NP has since asserted it in at least three patent infringement suits.

In July 1991, while Branemark was a member of NP's Board of Directors, NP brought this suit alleging that certain of 3I's dental implants infringed the '891 patent. 3I also brought an antitrust counterclaim, based in part on the assertion that NP attempted to enforce a patent that it knew was invalid and unenforceable. Specifically, 3I alleged that when NP brought suit, NP was aware that the inventors' intentional failure to disclose the 1977 Book to the U.S. Patent and Trademark Office (PTO) would render the '891 patent unenforceable.

During its case-in-chief, NP introduced portions of a deposition of Branemark that apparently was conducted several years before this trial began in connection with a lawsuit involving neither NP nor 3I. NP also introduced into evidence portions of that deposition that were counter-designated for introduction by 3I. Branemark's deposition testimony included his admissions that one "could consider" the procedure used to manufacture the micropitted surface a trade secret, and "it might be" that there are details "important to making" the micropitted surface that are not disclosed in the patent. At the close of NP's case-in-chief, the district court granted 3I's motion for JMOL of invalidity and non-infringement. The court held that the patent was invalid under § 112, ¶ 1, for failure to disclose the best made and that NP had failed to prove infringement. The court then denied NP's motion for JMOL on 3I's antitrust counterclaim, proceeded to inform the jury that the court had held the patent invalid, and allowed 3I to present the counterclaim to the jury.

After trial limited to the antitrust issue, the jury found in special verdicts, inter alia, that 3I had proven that (1) "the inventors or their agents or attorneys obtained the '891 patent through fraud," (2) NP "had knowledge that the '891 patent was obtained by fraud at the time this action was commenced against 3I," and (3) NP "brought this lawsuit against 3I knowing that the '891 patent was either invalid or unenforce-

able and with the intent of interfering directly with 3I's ability to compete in the relevant market." The jury awarded 3I approximately $3.3 million in compensatory damages, an amount the court trebled pursuant to section 4 of the Clayton Act, 15 U.S.C. § 15 (1994). The court declined to rule on whether the patent was unenforceable for inequitable conduct, concluding that its judgment of invalidity rendered the issue of enforceability moot. Nobelpharma AB v. Implant Innovations, Inc., 875 F. Supp. 481, 34 USPQ2d 1090 (N.D. Ill. 1995).

The court then denied NP's renewed motion for JMOL on the counterclaim or, in the alternative, for a new trial on both the counterclaim and the infringement claim. Nobelpharma AB, 930 F. Supp. at 1246. In denying NP's post-verdict motion for a new trial on the issue of infringement, the district court again concluded that the patent was invalid for failure to disclose the best mode. Id. at 1247-49. The court also concluded that NP was not entitled to JMOL on the counterclaim because, inter alia, "NP, as the assignee of the patent, maintained and enforced the patent with knowledge of the patent's fraudulent derivation." Id. at 1257. The court denied NP's motion for a new trial on the counterclaim, holding, inter alia, that it did not err in its evidentiary rulings or in refusing to instruct the jury that in order to impose antitrust liability against NP, it must find NP's lawsuit "objectively baseless." Id. at 1264.

NP appealed to this court, challenging the district court's grant of 3I's motion for JMOL of invalidity and non-infringement and its denial of the post-verdict motion for JMOL or a new trial. We have jurisdiction pursuant to 28 U.S.C. § 1295(a)(1) (1994).

DISCUSSION

A. Invalidity

At the close of NP's case-in-chief, the district court granted 3I's motion for judgment of invalidity under § 112, ¶ 1, as a matter of law for failure to disclose the best mode of practicing the invention. NP then filed a motion for reconsid-

eration, which was denied, in order to reopen the evidence and offer proof regarding its compliance with § 112, ¶ 1. After the jury returned its verdict in favor of 3I on its antitrust counterclaim, NP moved for a new trial, again arguing that the court had erred in granting 3I's motion for JMOL. In reaffirming its decision to grant 3I's motion for JMOL, the district court held that Branemark's own testimony "demonstrates that when [he] filed his patent application, he contemplated a best mode of practicing his invention, but his disclosures were inadequate to enable one skilled in the art to practice that best mode." 930 F. Supp. at 1248. The district court also explicitly noted that its decision was not based on Branemark's purported "non-disclosure" of NP's later-developed manufacturing procedure. Id.

On appeal, NP again argues that the district court erred in granting JMOL on the invalidity issue because in doing so the court drew improper, unsupported inferences against NP and erroneously imposed on NP the burden of proving validity. NP also argues that the grant of JMOL denied it due process because the court had mandated a "natural order of proof" at trial and thus had effectively barred NP from introducing any evidence to show that it had satisfied the best mode requirement during its case-in-chief.

In response, 3I argues that Branemark's own unequivocal admissions indicate that he had developed and tested a preferred method of making the claimed implants when the patient application was filed. 3I also argues that Branemark admitted that the patent does not contain a disclosure adequate to enable one of ordinary skill in the art to practice this method. Finally, 3I argues that NP was not denied due process because NP had sufficient opportunity to offer evidence in opposition to 3I's motion for JMOL of invalidity and failed to do so. We agree with 3I that the court did not err in its grant of the motion for JMOL and therefore that the court did not err in denying NP's motion for a new trial on its infringement claim.

We review a district court's grant of a motion for JMOL under Fed. R. Civ. P. 50(a)(1) de novo by reapplying the

standard applicable at the district court. See Allied Colloids Inc. v. American Cyanamid Co., 64 F.3d 1570, 1573, 35 USPQ2d 1840, 1841 (Fed. Cir. 1995). Under that standard, we examine the record in the light most favorable to the non-movant, which in this case is NP, and afford it the benefit of all reasonable inferences. Id. Accordingly, "[w]e may affirm only if the judgment entered was the only one possible under the controlling law." Burroughs Wellcome Co. v. Barr Lab., Inc., 40 F.3d 1223, 1227, 32 USPQ2d 1915, 1919 (Fed. Cir. 1994), cert. denied, 116 S. Ct. 771 (1996) (citing Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 250 (1986) (prohibiting JMOL "[i]f reasonable minds could differ as to the import of the evidence.")).

Rule 50(a)(1) provides, in relevant part, that if

> a party has been fully heard on an issue and there is no legally sufficient evidentiary basis for a reasonable jury to find for that party on that issue, the court may determine the issue against that party and may grant a motion for judgment as a matter of law [JMOL] against that party with respect to a claim or defense that cannot under the controlling law be maintained or defeated without a favorable finding on that issue.

Fed. R. Civ. P. 50(a). "Thus, the verdict may be directed after the plaintiff's case is presented, when it is clear that completion of the trial is unnecessary in that the only sustainable verdict could be in favor of the defendant." Allied Colloids, 64 F.3d at 1573, 35 USPQ2d at 1841.

By statute, patents are presumed to be valid. 35 U.S.C. § 282 (1994). Thus, 3I had the burden of establishing by clear and convincing evidence facts supporting the conclusion that the '891 patent is invalid. See Transco Prods. Inc. v. Performance Contracting, Inc., 38 F.3d 551, 560, 32 USPQ2d 1077, 1084 (Fed. Cir. 1994), cert. denied, 513 U.S. 1151 (1995). The patent statute requires that a patent specification "shall set forth the best mode contemplated by the inventor of carrying out his invention." 35 U.S.C.

§ 112, ¶ 1 (1994). Determining whether a patent fails to comply with the best mode requirement and is thus invalid involves two factual inquiries. First, the fact-finder must determine whether at the time an applicant filed an application for patent, he or she had a best mode of practicing the invention, which is a subjective determination. Second, if the inventor had a best mode of practicing the invention, the fact-finder must determine whether the best mode was disclosed in sufficient detail to allow a skilled artisan to practice it without undue experimentation, which is an objective determination. See United States Gypsum Co. v. National Gypsum Co., 74 F.3d 1209, 1212, 37 USPQ2d 1388, 1390 (Fed. Cir. 1996).

For whatever reason, NP introduced as part of its own case-in-chief all of the portions of Branemark's deposition that were counter-designated by 3I.[2] These included Branemark's statements, introduced by and unchallenged by NP, that (1) "there were some minor details that were not included [in the patent] and which proved to be quite important," (2) other skilled artisans would have to be "lucky" to obtain a suitable micropitted implant "by cutting a piece of titanium at a speed less than twenty meters per minute," the cutting speed disclosed in the patent; and (3) "any of the small detailed recipes that I discussed but did not specify" in the patent "can cause you to fail to get micropitting even though you were cutting the metal at less than twenty meters per minute." The record also unambiguously indicates that when he filed his patent application, Branemark was aware that a variety of undisclosed machining parameters were critical to the production of a functional implant, i.e., one that would allow for

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2 NP suggests that it introduced the portions counter-designated "as a matter of convenience and efficiency" during its own case-in-chief. At oral argument, NP also suggested that it introduced these portions "as a courtesy" to 3I. While such motives are commendable, they do not change the significance and meaning of this evidence.

osseointegration. Moreover, the research on which the 1977 Book was based also indicates that Branemark possessed a preferred mode of making the claimed iplants by the time the U.S. patent application was filed in 1980. Thus, the evidence at trial leads to only one reasonable conclusion: Branemark possessed a preferred method of making the claimed invention and failed to disclose it sufficiently to enable those skilled in the art to practice that method.

Normally, evidence presented by a patentee-plaintiff will not support a grant of a JMOL invalidating a patent. That is because the burden is on an accused infringer to show by clear and convincing evidence facts supporting the conclusion that the patent is invalid. See generally 9A Charles Alan Wright & Arthur R. Miller, Federal Practice and Procedure, § 2535, at 325 (2d ed. 1994) ("[C]ourts often caution that granting a [JMOL] for the party bearing the burden of proof is reserved for extreme cases."). Accordingly, grant of JMOL in favor of a party bearing the burden of proof may be granted only where (1) the movant "has established [its] case by evidence that the jury would not be at liberty to disbelieve" and (2) "the only reasonable conclusion is in [the movant's] favor." Hurd v. American Hoist & Derrick Co., 734 F.2d 495, 499 (10th Cir. 1984). However, in unusual cases, an admission made by a plaintiff's witness can be sufficient to support entry of a JMOL in favor of a defendant after the close of the plaintiff's case-in-chief, even where the defendant bears the burden of proof on the decided issue. See, e.g., Falco Lime, Inc. v. Tide Towing Co., 29 F.3d 362, 365-66 (8th Cir. 1994) (holding that JMOL was properly granted after the close of plaintiff's case in view of the admissions of plaintiff's chief witness regarding a contract that established defendant's affirmative defense). Given Branemark's admissions, we conclude that this is one of those "extreme" cases in which it was not improper to grant JMOL in favor of a defendant on an issue regarding which it bore the burden of proof.

Contrary to NP's arguments, the district court did not draw adverse inferences against NP to support its judgment. Rather, it properly relied on a co-inventor's statements "that

the jury would not be at liberty to disbelieve." Hurd, 734 F.2d at 499. Similarly, the district court did not place the burden of proving validity on NP. The court did not have to shift the burden of proof because NP's own evidence was clear and convincing that the patent is invalid. This evidence led to "the only reasonable conclusion." Id.

We also agree with 3I that NP was not denied due process. When NP was confronted with 3I's motion for JMOL, it was not unfairly surprised. 3I had consistently alleged that the '891 patent was invalid under § 112, ¶ 1. Moreover, NP had an opportunity to oppose 3I's motion, but it failed to do so adequately. After the court's grant of JMOL, NP responded by offering evidence and argument only concerning NP's later-developed manufacturing procedure. However, as noted above, the district court's ultimate decision did not rely on the "non-disclosure" of NP's later-developed manufacturing processes. Likewise, in affirming the decision of the district court, we do not rely on that evidence. Rather, we only rely on the clear and convincing evidence that Branemark failed to disclose his best mode of practicing the claimed invention when he filed his patent application. NP failed to present any evidence or argument to undermine the import of that evidence, even though it knew that the best mode issue was before the court, it thus had ample opportunity to prepare and present evidence and argument. Whatever disadvantage NP may have suffered when the JMOL was granted was rectified by the opportunity it had after the judgment was rendered. Any error was thus harmless. NP was therefore not denied due process.

Accordingly, we affirm the judgment that the '891 patent is invalid as a matter of law under § 112, ¶ 1, for failure to disclose the best mode of practicing the invention. Because we affirm the district court's decision holding the patent invalid, we need not consider NP's arguments concerning infringement. See B.F. Goodrich Co. v. Aircraft Braking Sys. Corp., 72 F.3d 1577, 1583, 37 USPQ2d 1314, 1319 (Fed. Cir. 1996).

B. Antitrust Counterclaim

After the jury returned its verdict in favor of 3I on its counterclaim that NP violated the antitrust laws by bringing suit against 3I, the court denied NP's motion for JMOL or, in the alternative, for a new trial under Fed. R. Civ. P. 50(b). In denying NP's motion, the district court held that the verdict was supported, inter alia, by the jury's factual findings that the patent was obtained through "NP's knowing fraud upon, or intentional misrepresentations to, the [PTO]" and that "NP maintained and enforced the patent with knowledge of the patent's fraudulent derivation" and with the intent of interfering directly with 3I's ability to compete in the relevant market. 930 F. Supp. at 1257. The court further held, based on these findings, that the jury need not have considered whether NP's suit was "objectively baseless." Id. at 1264.

In support of its position that the court erred in denying its renewed motion for JMOL, NP argues that there was a lack of substantial evidence to support the jury's finding that the patent was obtained through "fraud" and its finding that NP was aware of that conduct when it brought suit against 3I. NP also argues that these findings, even if supported by substantial evidence, do not provide a legal basis for the imposition of antitrust liability. Finally, NP argues that it is entitled to a new trial because the court failed to instruct the jury that bringing a lawsuit cannot be the basis for antitrust liability if that suit is not "objectively baseless."

3I responds that the jury's explicit findings that the patent was procured through fraudulent conduct and that NP knew of that conduct when it brought suit were supported by substantial evidence, and that these findings provide a sound basis for imposing antitrust liability on NP. Responding to NP's arguments for a new trial, 3I argues that an "objectively reasonable" or "objectively baseless" jury instruction was not necessary because the district court required that 3I prove that NP had actual knowledge of the inequitable conduct when it brought suit and that even if such an instruction was necessary, NP waived this argument by failing to propose a jury instruction relating to an "objectively baseless" standard.

We argue with NP that the court erred in denying its motion for JMOL; therefore we need not directly address the arguments concerning NP's motion for a new trial. We review a district court's denial of a post-trial motion for JMOL under Fed. R. Civ. P. 50(b) de novo by reapplying the standard applicable at the district court. Thus, this court

> must determine whether there exists evidence of record upon which a jury might properly have returned a verdict in [the non-movant's] favor when the correct legal standard is applied. If there is not, [the movant] was entitled to have the question removed from the jury and decided as a matter of law.

Markman v. Westview Instruments, Inc., 52 F.3d 967, 975, 34 USPQ2d 1321, 1326 (Fed. Cir. 1996) (in banc), aff'd, 116 S. Ct. 1384, 38 USPQ2d 1461 (1996) (quoting Jamesbury Corp. v. Litton Indus. Prods., Inc., 756 F.2d 1556, 1560, 225 USPQ 253, 257 (Fed. Cir. 1985)); see also Deimer v. Cincinnati Sub-Zero Prods., Inc., 58 F.3d 341, 343 (7th Cir. 1995); Shearing v. Iolab Corp., 975 F.2d 1541, 1544, 24 USPQ2d 1133, 1136 (Fed. Cir. 1992) ("On appeal after denial of a motion for JNOV, the appellant must prove that the record lacks substantial evidence to support the jury's verdict."). In applying this standard, we must also "view the evidence in the light most favorable to the nonmoving party," which in this case is 3I. Deimer, 58 F.3d at 343.

When reviewing a district court's judgment involving federal antitrust law, we apply the law of the regional circuit in which that district court sits. See Loctite Corp. v. Ultraseal, 781 F.2d 861, 875, 228 USPQ 90, 99 (Fed. Cir. 1985) ("We must approach a federal antitrust claim as would a court of appeal in the circuit of the district court whose judgment we review."). Accordingly, we would apply Seventh Circuit antitrust laws were it clear. However, since the Seventh Circuit has not clarified the conditions under which a patentee may incur antitrust liability for enforcing its patent, we must also turn to Supreme Court precedent and to the law of the other regional circuits to determine how the Seventh Circuit would likely decide this issue.

A patentee who brings an infringement suit may be subject to antitrust liability for the anti-competitive effects of that suit if the alleged infringer (the antitrust plaintiff) proves (1) that the asserted patent was obtained through knowing and willful fraud within the meaning of Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp., 382 U.S. 172, 177, 147 USPQ2d 404, 407 (1965), or (2) that the infringement suit was "a mere sham to cover what is actually nothing more than an attempt to interfere directly with the business relationships of a competitor." Eastern R.R. Presidents Conference v. Noerr Motor Freight, Inc., 365 U.S. 127, 144 (1961); California Motor Transp. Co. v. Trucking Unlimited, 404 U.S. 508, 510 (1972) (holding that Noerr "governs the approach of citizens or groups of them . . . to courts, the third branch of Government"). See Professional Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc., 508 U.S. 49, 62 n.6 (1993) (PRE) (declining to decide "whether and, if so, to what extent Noerr permits the imposition of antitrust liability for a litigant's fraud or other misrepresentations").

In Walker Process, the Supreme Court held that in order "to strip [the patentee] of its exemption from the antitrust laws" when attempting to enforce its patent monopoly, an antitrust plaintiff is required to prove that the patentee "obtained the patent by knowingly and willfully misrepresenting facts[3] to the [PTO]." 382 U.S. at 177, 147 USPQ2d at 407. The Court also cited two of its prior decisions which involved knowing and willful misrepresentation of facts to the Patent Office, which the Court described as "fraudulent pro-

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3 The alleged misrepresentation involved the patentee's sworn statement "that it neither knew nor believed that its invention had been in public use in the United States more than one year prior to filing its patent application when, in fact, [it] was a party to prior use within such time." Walker Process, 382 U.S. at 174, 147 USPQ 404, 406; cf. 35 U.S.C. § 115 (1994); 37 C.F.R. § 1.63 (1996) (The PTO does not currently require inventors to file a sworn statement regarding such knowledge or belief.).

curement": Precision Instrument Manufacturing v. Automotive Maintenance Machinery Co., 324 U.S. 806, 65 USPQ 133, 138 (1945), and Hazel-Atlas Glass Co. v. Hartford Empire Co., 322 U.S. 238, 64 USPQ 18 (1944).[4] In Precision Instrument, the patentee submitted false dates of conception and reduction to practice, and fabricated evidence in support of these dates, to ensure priority in an interference proceeding. Similarly, in Hartford-Empire, the patentee's attorney ensured that a patent would issue by falsely stating that an article he had authored praising the invention was actually written by a well-known expert in the field.

Justice Harlan, in a concurring opinion, emphasized that to "achiev[e] a suitable accommodation in this area between the differing policies of the patent and antitrust laws," a distinction must be maintained between patents procured by "deliberate fraud" and those rendered invalid or unenforceable for other reasons. Walker Process, 382 U.S. at 179-80, 147 USPQ at 408. He then stated:

> [T]o hold, as we do not, that private antitrust suits might also reach monopolies practiced under patents that for one reason or another may turn out to be voidable under one or more of the numerous technicalities attending the issuance of a patent, might well chill the disclosure of inventions through the obtaining of a patent because of fear of the vexations or punitive consequences of treble-damage suits. Hence, this private antitrust remedy should not be deemed available to reach [Sherman Act] § 2 monopolies carried on under a nonfraudulently procured patent.

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4 The Court also cited Keystone Driller Co. v. General Excavator Co., 290 U.S. 240, 19 USPQ 228 (1933), which involved an agreement to suppress evidence in the course of litigation. However, in that case, the court invoked only the equitable doctrine of "unclean hands" to prevent the patentee from enforcing the patents at issue.

Id. at 180, 147 USPQ at 408.

The district court observed that the Supreme Court, in footnote six of its PRE opinion, "left unresolved the issue of how 'Noerr applies to the ex parte application process,' and in particular, how it applies to the Walker Process claim." 930 F. Supp. at 1253 (quoting James B. Kobak, Jr., Professional Real Estate Investors and the Future of Patent-Antitrust Litigation, 63 Antitrust L.J. 185, 186 (1994)). The court also accurately pointed out that we have twice declined to resolve this issue. See FilmTec Corp. v. Hydranautics, 67 F.3d 931, 939 n.2, 36 USPQ2d 1410, 1415 n.2 (Fed. Cir. 1995), cert. denied, 117 S. Ct. 62 (1996); Carroll Touch, Inc. v. Electro Mechanical Sys., Inc., 15 F.3d 1573, 1583 n.10, 27 USPQ2d 1836, 1845 n.10 (Fed. Cir. 1993). Therefore, after reviewing three opinions from the Ninth and District of Columbia Circuit Courts of Appeals, see Hydranautics v. FilmTec Corp., 70 F.3d 533, 537-38, 36 USPQ2d 1773, 1777 (9th Cir. 1995); Whelan v. Abell, 48 F.3d 1247, 1255 (D.C. Cir. 1995); Liberty Lake Invs., Inc. v. Magnuson, 12 F.3d 155, 158-60 (9th Cir. 1993), the district court made its own determination that PRE's two-part test for a sham is inapplicable to an antitrust claim based on the assertion of a patent obtained by knowing and willful fraud. 930 F. Supp. at 1253. We do not agree with that determination. PRE and Walker Process provide alternative legal grounds on which a patentee may be stripped of its immunity from the antitrust laws; both legal theories may be applied to the same conduct. Moreover, we need not find a way to merge these decisions. Each provides its own basis for depriving a patent owner of immunity from the antitrust laws. The Supreme Court saw no need to merge these separate lines of cases and neither do we.

If the elements for a finding of fraud within the meaning of Walker Process, as well as the other criteria for antitrust liability, are met, such liability can be imposed without an additional sham inquiry. Alternatively, when an antitrust claim is based on a PRE allegation that a suit is baseless, in order to prove that a suit is within Noerr's "sham" exception to immunity, an antitrust plaintiff must prove that the suit was

both objectively baseless and subjectively motivated by a desire to impose collateral, anticompetitive injury rather to obtain a justifiable legal remedy. PRE, 508 U.S. at 60-61. As the Supreme Court stated:

> First, the lawsuit must be objectively baseless in the sense that no reasonable litigant could realistically expect success on the merits. If an objective litigant could conclude that the suit is reasonably calculated to elicit a favorable outcome, the suit is immunized under Noerr, and the antitrust claim premised on the sham exception must fail. Only if the challenged litigation is objectively meritless may a court examine the litigant's subjective motivation. Under the second part of our definition of sham, the court should focus on whether the baseless lawsuit conceals "an attempt to interfere directly with the business relationships of a competitor," through the "use [of] the governmental process-as opposed to the outcome of that process-as an anticompetitive weapon." . . . Of course, even a plaintiff who defeats the defendant's claim to Noerr immunity by demonstrating both the objective and the subjective components of a sham must still prove a substantive antitrust violation. Proof of a sham merely deprives the defendant of immunity; it does not relieve the plaintiff of the obligation to establish all other elements of his claim.

Id. (footnotes and internal citations omitted). Thus, under PRE, a sham suit is one that is both objectively baseless and subjectively brought in bad faith. If a suit is not objectively baseless, an antitrust defendant's subjective motivation is immaterial. Id.

We conclude that 3I has proven no set of facts upon which a fact finder could strip NP of its immunity from antitrust liability. First, there exists no evidence to support the jury's finding that the "patent was obtained by fraud" within the meaning of a Walker Process counterclaim. Walker Process requires a showing that the patent was obtained through

deliberate, affirmative misrepresentations, i.e., knowingly false statements, not mere omissions. See, e.g., Potters Med. Ctr. v. City Hospital Assoc., 800 F.2d 568, 581 (6th Cir. 1986) (stating that "[o]nly known falsity supports an antitrust offense" and relying on an uncontested affidavit "which attested that [the antitrust defendant] knowingly made no false statements.") (emphasis added); Clipper Exxpress v. Rocky Mountain Motor Tariff Bureau, Inc., 690 F.2d 1240, 1261 (9th Cir. 1982) (holding that under Walker Process "the fraudulent furnishing of false information to an agency in connection with the adjudicatory proceeding can be the basis for antitrust liability, if the requisite predatory intent is present and the other elements of an antitrust claim are proven.") (emphasis added); Kearney & Trecker Corp. v. Giddings & Lewis, Inc., 452 F.2d 579, 594, 171 USPQ 650, 662 (7th Cir. 1971) (characterizing the conduct at issue in Walker Process as "fraud involving the willful misrepresentation of facts to the Patent Office."); Bendix Corp. v. Balax, Inc., 421 F.2d 809, 819, 164 USPQ 485, 493 (7th Cir. 1970) ("Thus, to prevail here, defendants must prove . . . that any misstatements by plaintiff in its patent applications were the product of intentional fraud and not good faith mistake.") (emphasis added). The jury's verdict was based in part on its finding of "fraud," but there exists no evidence of any affirmative misrepresentation that would constitute such fraud. Pursuant to then-existing PTO regulations, Branemark was required to aver, inter alia, that "the invention has not been . . . described in any printed publication in any country before his invention or more than one year prior to his application." 37 C.F.R. § 1.65 (1990). The evidence does not support a finding that this statement, or any other statement to the PTO made by or attributable to Branemark, was knowingly false. For, even if we accept 3I's and the dissent's unsupported assertion that Barnieske knew that the 1977 Book was material, knowledge that a reference is material is not the same as knowledge that a reference describes an invention and hence renders it unpatentable.

While there may have been substantial evidence to support a finding of inequitable conduct consisting of withholding the

1977 Book with the intent to deceive the PTO,[5] under Walker Process such evidence will not support antitrust liability. As we have previously stated, inequitable conduct that will render a patent unenforceable is a broader, more inclusive concept than the "fraud" needed to support a Walker Process counterclaim. See, e.g., Hewlett-Packard Co. v. Bausch & Lomb Inc., 882 F.2d 1556, 1563, 11 USPQ2d 1750, 1756 (Fed. Cir. 1989); FMC Corp. v. Manitowoc Co., 835 F.2d 1411, 1417-18, 5 USPQ2d 1112, 1117 (Fed. Cir. 1987); Arugs Chem. Corp. v. Fibre Glass-Evercoat Co., 812 F.2d 1381, 1384-85, 1 USPQ2d 1971, 1973-74 (Fed. Cir. 1987); J.P. Stevens & Co. v. Lex Tex Ltd., 747 F.2d 1553, 1559, 223 USPQ 1089, 1092 (Fed. Cir. 1984) ("Conduct before the PTO that may render a patent unenforceable is broader than common law fraud."). Thus, inequitable conduct can include both an intentional failure to disclose material prior art as well as an intentional misrepresentation. See 37 C.F.R. § 1.56 (1996) ("Duty to disclose information material to patentability"); see also Kingsdown Med. Consultants Ltd. v. Hollister Inc., 863 F.2d 867, 872, 9 USPQ2d 1384, 1389 (Fed. Cir. 1988). However, as noted above, only affirmative misrepresentations come within the definition of Walker Process fraud. See Potters Med. Ctr., 800 F.2d at 581; see also Argus Chem. Corp., 812 F.2d at 1384-85, 1 USPQ2d at 1973-74 (stating that "'knowing and willful fraud,' as the term is used in Walker, can mean no less than clear, convincing proof of intentional fraud involving affirmative dishonesty") (quoting Cataphone Corp. v. DeSoto Chem. Coatings, Inc., 450 F.2d 769, 772, 171 USPQ 736, 738 (9th Cir. 1971)); Bendix Corp., 421 F.2d at 819, 164 USPQ at 493. The Supreme Court in Walker Process

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5 As noted above, the district court did not hold the patent unenforceable due to inequitable conduct. It declined to consider inequitable conduct because it concluded that its judgment of invalidity rendered th eissue moot. Because neither party raises the issue on appeal, we address it only to the extent that it is necessary to our analysis of 3I's antitrust counterclaim.

was quite explicit in premising antitrust liability on knowing and willful misrepresentations, but not on other types of misconduct that might render a patent unenforceable such as the failure to disclose material prior art. The Court expressly discussed only knowing and willful misrepresentations, contrasted with good faith or honest mistakes, or mere "technical" fraud; it did not deal with inequitable conduct involving even a knowing failure to disclose a material reference. Accordingly, the inventors' failure to disclose the 1977 Book, even if that failure was known by NP, cannot support the imposition of antitrust liability on NP based on Walker Process fraud.

The dissent asserts that a finding of antitrust liability under Walker Process may be premised on an omission coupled with a duty of disclosure. We disagree. It is of course true that an applicant for a patent owes a duty of candor to the PTO, see 37 C.F.R. § 1.56 (1996), and that breach of a duty can constitute common law fraud. However, Walker Process and its progeny, which are applicable to a broad array of administrative contexts, see, e.g., Clipper Exxpress, 690 F.2d at 1260-61 (extending Walker Process doctrine "to cases not arising in a patent context"), draw a line between omissions and affirmative misrepresentations. We choose not to breach that line. Allegations of Inequitable conduct are a staple these days in pleadings attacking patents or defending against charges of patent infringement. Alleged failure to disclose prior art, whether or not material or intentional, is the basis for many of these charges. Were we to hold that failure to cite prior art provides a basis for Walker Process antitrust liability, most patent infringement actions would be converted into antitrust cases, the shield of inequitable conduct into the sword of antitrust liability. See Korody-Colyer Corp. v. General Motors Corp., 828 F.2d 1572, 1578, 4 USPQ2d 1203, 1207 (Fed. Cir. 1987). We do not believe that the Supreme Court intended Walker Process to effect that result. Failure to cite prior art is not Walker Process fraud.

The evidence also indicates that NP's suit could not be found to be objectively baseless and therefore was not a sham.

The jury's finding that NP knew that the patent was either invalid or unenforceable when it brought suit is insufficient to support antitrust liability. The evidence, especially Dr. Green's testimony that he was told that "if the Patent Office did not receive a copy of [the 1977 Book], and if that were true, then we would have a larger problem and that was fraud," may support a conclusion that NP subjectively believed that the suit would be baseless or brought the suit in bad faith. However, the evidence would not support a jury verdict that such a suit was objectively baseless. See Creek v. Village of Westhaven, 80 F.3d 186, 192 (7th Cir. 1996) (citing PRE for the proposition that "[s]uits that are objectively baseless, that is, frivolous suits, as distinct from colorable suits brought in bad faith, are not constitutionally protected.").

The conduct in question was a failure to cite possibly relevant prior art, which relates to inequitable conduct. A conclusion of inequitable conduct requires an equitable weighing by the court of the factual issues of intent to deceive and materiality of alleged omissions or misrepresentations in view of the totality of circumstances. See Molins PLC v. Textron, Inc., 48 F.3d 1172, 1178-79, 33 USPQ2d 1823, 1826-27 (Fed. Cir. 1995); Akzo N.V. v. United States Int'l Trade Comm'n, 808 F.2d 1471, 1481-82, 1 USPQ2d 1241, 1247 (Fed. Cir. 1986). Thus, by its very nature, a court's ultimate conclusion of inequitable conduct is not predictable. Therefore, an omission that might later be found to constitute inequitable conduct, such as the failure to disclose the 1977 Book in this case, cannot as a matter of law be the basis for finding that an infringement suit was objectively baseless.

Furthermore, contrary to the dissent's assertion, the 1977 Book did not "essentially describe and illustrate the invention." Rather its disclosure of micropits having the claimed diameter and spacing was not explicit and was only made apparent after 3I, during litigation, measured highly enlarged copies of the SEMs depicted in the 1977 Book. Based on this limited disclosure, NP raised bona fide arguments that the 1977 Book did not render the patent invalid and that the fail-

ure to disclose the 1977 Book did not render the patent unenforceable. Thus, NP could have had an objectively reasonable expectation that it could prevail on the merits. Also, significantly, NP had asserted the '891 patent against two other parties, and apparently overcame motions for summary judgment of invalidity and unenforceability in those suits. Cf. PRE, 508 U.S. at 64-65 ("Even though it did not survive PRE's motion for summary judgment, Columbia's copyright action was arguably 'warranted by existing law' or at the very lease was based on an objective 'good faith argument for the extension, modification, or reversal of existing law.' Fed. Rule Civ. Proc. 11."). These facts belie a conclusion that a reasonable litigant in NP's position would have known that the patent would inevitably be held invalid or unenforceable. As this court and others have cautioned, a patentee must be allowed to test the validity or enforceability of its patent, even if it fears that the patent may be invalid or unenforceable. See Loctite Corp. v. Ultraseal Ltd., 781 F.2d 861, 876-77, 228 USPQ 90, 101 (Fed. Cir. 1985) (noting "the public policy of erecting a barrier against thwarting patentees from asserting legitimate patent rights"); Handgards, Inc. v. Ethicon, Inc., 601 F.2d 986, 993, 202 USPQ 342, 348 (9th Cir. 1979) ("Patentees must be permitted to test the validity of their patents in court through actions against alleged infringers."). The imposition of antitrust liability on NP in this case would thwart its entitlement to test the validity and scope of its patent.

As the Supreme Court admonished in PRE, "a court must 'resist the understandable temptation to engage in post hoc reasoning by concluding' that an ultimately unsuccessful 'action must have been unreasonable or without foundation.'" 508 U.S. at 60 n.5 (citing Christiansburg Garment Co. v. EEOC, 434 U.S. 412, 421-22 (1978) ("Even when the law or the facts appear questionable or unfavorable at the outset, a party may have an entirely reasonable ground for bringing suit.")). The dissent has fallen prey to this "understandable temptation." NP may have lost its suit, but the record indicates that a "similarly situated reasonable litigant could have perceived some likelihood of success." PRE, 508 at 62-65.

That is all that is needed to provide Noerr immunity. See PRE, 508 U.S. at 60 (stating that to support antitrust liability, a suit must be "objectively baseless in the sense that no reasonable litigant could realistically expect success on the merits [or] could conclude that the suit is reasonably calculated to elicit a favorable outcome."); id. at 69 (Stevens & O'Connor, JJ., concurring) (stating that no antitrust liability should arise from a suit in which the plaintiffs "invoked the federal court's jurisdiction to determine whether they could lawfully restrain competition from competitors"). Accordingly, because NP's suit was reasonably calculated to elicit a favorable outcome, not merely to impose collateral harm on 3I, the suit was not a sham and was thus entitled to Noerr immunity.

Because the evidence cannot support a verdict that the patent was obtained by Walker Process fraud, or that NP's infringement suit was objectively baseless, we reverse the district court's decision denying NP's motion for JMOL on 3I's antitrust counterclaim and instruct the court to grant the motion.

CONCLUSION

The district court did not err in holding the '891 patent invalid as a matter of law at the close of NP's case-in-chief because NP itself introduced evidence that was fatal to the patent's validity. However, the district court erred in denying NP's motion for JMOL on 3I's antitrust counterclaim. No reasonable jury, applying the correct law, could have found that the facts were sufficient to strip NP of its antitrust immunity. The evidence of record does not support a conclusion that the '891 patent was obtained by fraud within the meaning of Walker Process or that NP's suit was objectively baseless.

COSTS

No costs.

AFFIRMED-IN-PART and REVERSED-IN-PART

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

97-1463

NOBELPHARMA AB,

Plaintiff/Counterclaim Defendant-Appellant,

and

NOBELPHARMA USA, INC.,

Counterclaim Defendant-Appellant,

and

PER INGVAR BRANEMARK AND INSTITUTE FOR APPLIED BIOTECHNOLOGY,

Counterclaim Defendants,

v.

IMPLANT INNOVATIONS, INC.,

Defendant Counterclaimant-Appellee.

PLAGER, Circuit Judge, concurring-in-part and dissenting-in-part.

I respectfully dissent from the majority's effort to immunize patent law from the standards for antitrust liability established by the Supreme Court. There is no warrant in law for the new rule announced by the panel, and it is bad public policy. Antitrust liability exposure, carefully cabined as it is by Supreme Court doctrine, is no more onerous for patent plaintiffs than it is for other plaintiffs. To hold, as the major-

ity does, that on the egregious facts of this case the plaintiff's scheme to perpetrate a fraud on the U.S. Patent and Trademark Office ("PTO") and on the courts does not reach the threshold needed for antitrust liability is in effect to hold that, in patent law, anything goes. I cannot subscribe to that conclusion.

I join the opinion of the majority in Part A, holding that the trial court did not err in finding the '891 patent invalid as a matter of law. With regard to the antitrust counterclaim discussed in Part B, I join the majority's determination that Walker Process and Professional Real Estate Investors ("PRE") provide independent bases on which patent owners who utilize the courts to enforce their patent rights may, in appropriate cases, be stripped of their immunity from antitrust law. I must, however, respectfully dissent from the majority's conclusion in Part B that, based on a heretofore unknown legal hurdle, no reasonable jury could have found NP liable for its conduct.

One of the inventors of the invention that was later sought to be patented published a 1977 Swedish textbook in which he essentially described and illustrated the invention. (The stated facts and factual conclusions are from the record on appeal, and in the case of disputed facts are those established by the findings of the judge and jury. The majority's attempt to reargue the facts on NP's behalf—see slip op. at 22-23 -- is little more than an appellate court's assertion that it is better at fact finding than the trial judge and jury.) Years later, when his co-inventor prepared a draft of the initial application for a Swedish patent, the co-inventor included the textbook as a prior art reference.

The patent attorney employed to handle the prosecution of the Swedish patent deleted the book references from the Swedish application. Later, the same attorney sent the incomplete Swedish filing to the U.S. patent attorneys who were to prosecute the U.S. application, and told them that he was "not aware of any prior art which is not mentioned in the application as filed." At the time, the Swedish attorney, experienced in U.S. patent law, recognized that the inclusion of

that material reference was statutorily required, that including the 1977 book would result in a denial of the application, and that any patent issued would be invalid. See 35 U.S.C. § 102(b) (1994) ("A person shall be entitled to a patent unless . . . the invention was . . . described in a printed publication in this or a foreign country . . . more than one year prior to the date of the application. . . .").

Although the record before us does not indicate it, presumably the inventors signed the fraudulently prepared application. As the majority opinion acknowledges, at the time 37 C.F.R. § 1.65 required an applicant to aver, inter alia, that "the invention has not been . . . described in any printed publication in any country before his invention or more than one year prior to his application." See also 37 C.F.R. § 1.56 (1997) (imposing a duty to disclose information material to patentability upon anyone associated with the filing and prosecution of a patent application). The application was submitted to the PTO, and in due course the patent issued.

The patent was assigned to plaintiff NP. One of the co-inventors was a senior executive in NP. He and other officers of the company knew of the existence and non-disclosure of the 1977 book. When discussions were held about enforcing the patent, they were advised by company counsel that the patent was invalid and should not be used in litigation. Despite their knowledge, and in the face of that counsel, they proceeded to invoke the patent, and apparently were successful in two prior actions for patent infringement. Thinking they were safe in their scheme to defraud, they invoked it once again against defendant 3I. The majority does not dispute the trial court's conclusion that the actions of the inventors, the patent attorney, and the officers of NP are attributable as a matter of law to NP.

Unfortunately for plaintiff, 3I uncovered the fraud. As the majority itself describes it, albeit reluctantly, "there may have been substantial evidence to support a finding of . . . withholding the 1977 Book with the intent to deceive the PTO." Slip op. at 19. The trial court submitted defendant's counterclaim for antitrust damages to a jury. After a full trial, the jury

found, in response to specific interrogatories, that plaintiff had engaged in a course of conduct that constituted fraud, thus stripping plaintiff of the antitrust immunity otherwise applicable to those who seek redress in the government's courts. This factual finding by the jury was affirmed by the trial judge in his denial of NP's JMOL and motion for a new trial on 3I's antitrust counterclaim, and is supported not simply by substantial evidence but by overwhelming proof in the record (which the majority does not deny). Despite this, and despite the majority's own recognition of the egregiousness of NP's conduct, the majority overturns the jury verdict on the grounds that this course of action constitutes a "mere omission," and does not meet the requirements of either Walker Process or PRE.

I find this difficult to understand, and inconsistent with what is widely understood to constitute misrepresentation and fraud. If a federal official investigating undue influence and corruption by A were to ask a third-party witness, "With whom did you have dinner on the night in question," and that person answered "With B and C," when in fact the truth was that A was also there, would that be considered a "mere omission" for which no liability could attach?[1] See United States v. Mattox, 689 F.2d 531 (5th Cir. 1982) (affirming defendant's conviction under 18 U.S.C. § 1001 for making false statements when he had relevant information but put "N/A" or left blank some responses on a government form).

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[1] See 18 U.S.C. § 1001 (1994), providing in relevant part

> [W]homever, in any matter within the jurisdiction of the executive, legislative, or judicial branch of the Government of the United States, knowingly and willfully -- 1) falsifies, conceals, or covers up by any trick, scheme, or device a material fact; 2) makes any materially false, fictitious, or fraudulent statement or representation; . . . shall be fined under this title or imprisioned not more than 5 years, or both.

We need not decide whether the attorney for the inventors in this case may have committed a criminal offense under § 1001. It is enough to see that submitting a list of prior art references pursuant to PTO regulations while knowingly and intentionally withholding a reference which, but for the fraudulent concealment, would in all probability defeat the application for patent, constitutes deliberate fraud on the PTO. Even worse, to later invoke the patent in infringement litigation, knowing that it was most likely invalid, without disclosing the known facts to the court, is to perpetrate a fraud on the court.

The majority attempts to bolster its position by selectively quoting from the Supreme Court's opinion in Walker Process. This was the case that first dealt with loss by a patentee of antitrust immunity as a result of fraudulently obtaining a patent.[2] The majority reads the Supreme Court's language as requiring that the patent be obtained by deliberate, affirmative misrepresentations, not "mere omissions." But the majority's quote leaves out the part in which the Court goes on to distinguish between intentional fraud, the issue in the case before it, and "technical fraud," the latter resulting from acts in good faith involving honest mistakes. Walker Process, 382 U.S. at 176, 177.

The majority opinion's definition of fraud seems to draw a distinction between the witness who testifies that "A was not there" and one who testifies "only B and C were there." The former would be an "affirmative misrepresentation" whereas the latter would be only a "mere omission." Nothing in Walker Process suggests such a distinction, and to find it in

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2 Walker Process arose in the context of an intentional misrepresentaiton before the PTO. The principle of the case -- supplying fraudulent information to an administrative agency, thus threatening the fair and impartial functioning of the agency -- has been extended to other agencies. See, e.g., Clipper Exxpress v. Rocky Mountain Motor Tariff Bureau, Inc., 690 F.2d 1240, 1261-62 (9th Cir. 1982).

the language of Walker Process requires a crabbed reading indeed. Furthermore, such a purely verbal requirement ignores the fact that an intentional non-disclosure is both affirmative and a misrepresentation—a suppression of the truth.

The majority mischaracterizes my position as "premised on an omission coupled with a duty of disclosure." Slip op. at 20. Regrettably, that reflects a lack of understanding of the point. What occurred here was not a "mere omission," as the majority would have it, but an affirmative act of deliberate misrepresentation. The majority would rewrite the facts to make this an innocent oversight. The judge and jury found the facts otherwise. Indeed, as the trial judge, after reviewing the facts in evidence in this case, stated in his opinion, "there was a sense of fraud in the air, which sense the jury later confirmed."

In my view, NP's actions define "knowing and willful fraud." Their agent, by whose actions they are bound, affirmatively misrepresented the state of the prior art to the PTO; they continued the fraud by intentionally enforcing in court a patent which they had every reason to believe was invalid. Overall, NP's actions smack of a "deliberately planned and carefully executed scheme to defraud" both the PTO and the court. Argus Chem. Corp. v. Fibre Glass-Evercoat Co., 812 F.2d 1381 (Fed. Cir. 1987) (quoting Hazel-Atlas Glass Co. v. Hartford-Empire Co., 322 U.S. 238, 245 (1944)). To hold, as the majority does, that such a course of conduct is, as a matter of law, an insufficient basis for the jury's finding of fraud is to grant to patentees carte blanche in their conduct in prosecuting and enforcing patents.

The majority candidly admits that its concern is not with the particular facts of this case, but with the fear that, in the future, every time a patent is held unenforceable because of a failure by the applicant to cite a piece of material prior art, there will ensue a round of antitrust counterclaims and damage awards. ("Were we to hold that failure to cite prior art provides a basis for Walker Process antitrust liability, most patent infringement actions would be converted into antitrust

cases." Slip op. at 21.) This is a classic "parading of the horribles," and is purely speculative.

The position is also without foundation. The fact that the actions by NP could constitute inequitable conduct, an independent ground on which the patent might be held unenforceable, is of course not relevant and of no significance regarding the issue before us. To find inequitable conduct, a court exercising its equitable powers must balance materiality and intent, see, Critikon, Inc. v. Becton Dickinson Vascular Access, Inc., 120 F.3d 1253, 1256 (Fed. Cir. 1997), and ultimately decide whether, in light of the applicant's conduct before the PTO, it would be inequitable to allow the patentee to enforce its patent rights. In contrast, for the purpose of determining whether a patentee is liable under the antitrust laws, a court must first find the predicate conditions for antitrust liability under the Sherman Act, including both possession of monopoly power (defined as the power to control prices or exclude competition) in the relevant market, and anticompetitive conduct to acquire to maintain such power. See 1 ABA Section of Antitrust Law, Antitrust Law Developments 229-51 (4th ed. 1997). (The existence of those predicates is not contested in this appeal.)

Assuming the predicates for antitrust liability are found to exist, the question may then arise whether the antitrust defendant is immune from liability under the Noerr-Pennington doctrine, or whether such immunity has been lost under the terms of either Walker Process or PRE. Under Walker Process, the focus is on whether particular acts by the applicant/patentee, in the procurement and enforcement of a patent, constitute knowing fraud; no balancing of materiality and intent is required as it is in inequitable conduct. And of course, in inequitable conduct, no predicate conditions, such as those in antitrust law, are necessary for a finding of liability.

In this case, the jury found that NP's acts, viewed cumulatively, constituted fraud. This is not a case in which the appellants acted with good faith or even with gross negligence. NP's agent deliberately omitted an anticipating reference, then

NP knowingly enforced its fraudulently procured patent. Such conduct is more than sufficient to strip NP of antitrust immunity under Walker Process.

With regard to the alternative basis for loss of immunity as set forth in PRE, it is not at all clear that that issue was properly preserved. Nevertheless, since the majority saw fit to discuss it, I will comment briefly. The majority concludes that the lawsuit in this case was not objectively baseless. They reach this conclusion on two grounds. First, the majority observes that both the antitrust issue and the doctrine of inequitable conduct involve "fraud" in the application process before the PTO. Since in order to determine "fraud" in the inequitable conduct cases there is a balancing of intent and materiality, the outcome in the antitrust cases cannot be known until a court decides how that balance is to be struck—that is whether there was inequitable conduct. The trial court in this case, having found the patent invalid, mooted the inequitable conduct issue; thus, it is not known whether the court would have found inequitable conduct on these facts. That being the case, it cannot be known whether there was fraud for antitrust purposes.

Of course, that analysis simply confuses two different meanings of the term "fraud." The majority's analysis blends enforcement of an invalid patent, the case here, with "fraud" as found in inequitable conduct cases, an issue not before us. There no doubt will be any number of situations in which inequitable conduct may be found to exist, the court having struck the proper balance, but in which the facts would not constitute the type of fraud that would lead to antitrust liability. In the one case, the question is simply whether the conduct of the applicant who sought the patent makes it inequitable to enforce the patent against the alleged infringer. In the other case, the question involves whether the patentee is engaged in monopolistic activity, a separate inquiry; whether the patentee is using the patent in furtherance of that activity; and whether the patentee knew of the fraud in the procurement of the patent. These are distinct and different issues, as illustrated by the fact that one is entirely a matter for a judge to

decide, whereas the other, being fact specific, is typically a jury question.

This distinction was articulated in a Federal Circuit opinion a decade ago. There it was pointed out that our cases reflect three standards for judging the misconduct by a patentee, dependent upon the nature of the relief which the opposing litigant seeks: (1) misconduct which makes a patent unenforceable ("inequitable conduct"); (2) misconduct which makes a case "exceptional" so as to warrant an award of attorney fees (see 35 U.S.C. § 285 (1994)); and (3) misconduct which rises to the level of fraud and which will support an antitrust claim. See Argus Chem. Co. v. Fibre Glass-Evercoat Co., Inc., 812 F.2d 1381, 1386 (Fed. Cir. 1987) (Nies, J., additional views). The majority's apparent assumption that these standards are, or will necessarily become, confused, resulting in a torrent of unjustified antitrust claims against innocent patentees, is ill-founded. If nothing else, it gives trial courts less credit than they deserve for being able to recognize when a defendant frivolously cries antitrust.

The second ground which the majority finds persuasive in establishing that the lawsuit is not baseless is that NP succeeded in two prior lawsuits, and thus might reasonably have expected to get away with it again. That of course simply awards wrongdoers who are lucky or clever enough to get away with their wrongdoing. Successful wrongdoing cannot provide grounds upon which a "reasonable litigant could realistically expect success on the merits." PRE, 508 U.S. at 60. What NP knew about the history of the '891 patent, and with their own lawyer's advice before them makes clear that they knew that their lawsuit was baseless; no reasonable litigant could have thought otherwise. PRE preserves a litigant's right to test the reach of the law, or even to seek an extension of established law; it does not protect knowing, but as yet undiscovered, fraud. See PRE, 508 U.S. at 64-65 ("Columbia's copyright action was arguably 'warranted by existing law' or at the very least was based on an objectively 'good faith argument for the extension, modification, or reversal of existing law.'" (quoting Fed. R. Civ. P. 11)). Once

it is concluded that the lawsuit was objectively baseless, the first step in a PRE analysis, the second step, determining the litigant's subjective motivation, would provide no hurdle in this case.

There is no basis in law for this court to overturn the jury's verdict in favor of 3I, and every reason both in law and policy not to. I would affirm the district court's judgment denying NP's motion for JMOL on 3I's antitrust counterclaim, and thus I must respectfully dissent from the majority judgment to the contrary.